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UNCOOPERATIVE NEIGHBORS BECOME CLOSE
ALLIES : UNITED STATES-MEXICAN
RELATIONS, 1941-1945

by

Joseph Charles Strasser

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MEXICAN RELATIONS, 1941-1945

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UNCOOPERATIVE NEIGHBORS BECOME CLOSE ALLIES:
UNITED STATES-MEXICAN RELATIONS, 1941-1945

A Thesis

Presented to the Faculty

of the

Fletcher School of Law and Diplomacy

by

JOSEPH CHARLES STRASSER

In partial fulfillment of the requirements for the
Degree of Doctor of Philosophy

April 15, 1971

T138322

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PREFACE

As events in Europe in 1938 and 1939 followed their inexorable path toward war, relations between Mexico and the United States were passing through one of their frequent periods of turmoil following the expropriation by President Lázaro Cárdenas of valuable American oil properties in March, 1938. There was little reason to believe that these often uncooperative neighbors could solve their many problems and assist each other should the war spread to the Western Hemisphere. Almost miraculously, by the end of 1941 the United States and Mexico had resolved their major differences and were adopting programs and policies which resulted in unprecedented mutual collaboration during the long years of World War II.

Although many volumes have been written covering the relations between these two countries during the periods of the Mexican Revolution and the petroleum seizure, historians have tended to ignore the era of tremendous cooperation from 1941 to 1945. The topic has been mentioned in general histories of American foreign policy and general accounts of American relations with Mexico, but it has not received extensive monographic attention. This study attempts to provide the student of history with a detailed description of the economic and political collaboration that took place between Mexico and the United States during the global struggle.

No attempt has been made to make this paper all-encompassing. In two specific areas the student of United States-Mexican relations may wish to consult additional sources. The military relationship between the United States and Mexico is discussed in Chapter III; however, a more comprehensive review of this subject can be found in Harry I. Stegmaier's

"From Confrontation to Cooperation: The United States and Mexico, 1938-1945," an unpublished Doctoral dissertation presented at the University of Michigan in 1970. Mr. Stegmaier presents a detailed study of military affairs, but only casually alludes to the material covered in this paper. Also, since it had little relation to the war effort, no mention is made of the bilateral treaty signed on February 3, 1944, which provided for the equitable utilization of the waters from the Colorado, Tijuana, and Río Grande Rivers. See Norris Hundley's Dividing the Waters (Berkeley, University of California Press, 1966.) for a detailed analysis of this topic.

In conducting a research project of this magnitude one invariably receives invaluable assistance from many sources. It is impossible to mention individually each person who has contributed to my study, but I would like to acknowledge my debt to certain institutions and individuals without whose help this paper could not have been completed. To those not mentioned my gratitude is no less felt.

I would like to thank the Bureau of Naval Personnel for permitting me to spend three years at the Fletcher School of Law and Diplomacy in order to complete all the requirements for my Doctoral degree. Dr. Arthur G. Kogan of the State Department's Historical Office was most helpful in securing authorization to review not only State Department Records, but also several private collections. I also acknowledge my debt to Mrs. Patricia Dowling at the National Archives for her assistance and advice in locating hundreds of pertinent documents. My appreciation is gladly extended to Nathaniel H. Puffer, Curator of Special Collections at the University of Delaware Library, for permitting me to examine the Messersmith Papers, and to Dr. James E. O'Neill, Director of the Franklin D. Roosevelt Library, for granting me access to various collections

housed at Hyde Park.

Professor Emeritus Ruhl J. Bartlett, the director of my study, constantly offered me encouragement and advice. He painstakingly reviewed the draft of my thesis and offered innumerable valuable suggestions. Professor Robert B. Stewart also assisted by recommending many worthwhile changes to this paper.

Finally, I acknowledge the very special debt I owe to my wife, Barbara. Besides caring for our two pre-school children and preparing for the birth of a third, she found time to encourage me in my work and decipher my illegible writing while typing the draft of this manuscript. Such a debt can never adequately be repaid.

J.C.S.

Reading, Massachusetts
April, 1971

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ACRONYMS

AAR--Association of American Railroads

APC--Alien Property Custodian

CIAA--Coordinator of Inter-American Affairs

FEA--Foreign Economic Administration

ICC--Interstate Commerce Commission

ODT--Office of Defense Transportation

PEMEX--Petroleos Mexicanos

WFA--War Food Administration

WMC--War Manpower Commission

WPB--War Production Board

INDIVIDUALS AND POSITIONS

- Acheson, Dean--Assistant Secretary of State, 1941-1945; Under Secretary of State, 1945-1947.
- Aguilar, Manuel--Member of commission to settle railroad worker wage dispute.
- Alemán, Miguel--Minister of Gobernación under Avila Camacho; President of Mexico, 1946-1952.
- Allen, William Prescott--Publisher of The Laredo Times.
- Araiza, Evaristo--Member of Mexican-American Commission for Economic Cooperation.
- Arnold, General Henry H.--United States Army Chief of Air Staff.
- Arroyo, Carlos--Chief of Mexican Treasury's Tariff Division.
- Ascarate, General Juan F.--Mexican Minister to Germany, 1941.
- Avila Camacho, Manuel--President of Mexico, 1940-1946.
- Bateman, Alan--Representative of Metals Reserve Company involved in negotiating Bateman-Suarez Agreement.
- Beteta, Ramón--Leader of Mexican delegation to Washington for negotiation of Reciprocal Trade Agreement.
- Biddle, Francis--Attorney General under President Roosevelt.
- Bonillas, Ygnacio--Mexican Ambassador to the United States, 1917.
- Bonsal, Philip--Assistant Chief of State Department's Division of American Republics Affairs.
- Bradley, Fred--Republican Representative from Michigan.
- Bryan, William Jennings--Secretary of State under Wilson.
- Buenrostro, Efraín--Director of Petroleos Mexicanos.
- Buford, C. H.--Vice-President of American Association of Railroads.
- Bursley, Herbert S.--Assistant Chief of State Department's Division of American Republics Affairs; Charge d'affaires, United States Embassy in Mexico.
- Butler, Hugh A.--Republican Senator from Nebraska.

- Byrnes, James F.--Director of the Office of War Mobilization; Secretary of State, 1945-1947.
- Cabrera, Luis--Member of Mexican Committee of Administration and Vigilance.
- Calles, Plutarco--President of Mexico, 1924-1928.
- Campos, Raúl--Assistant Traffic Manager of the Mexican National Railway.
- Campos Ortiz, Pablo--Succeeded Manuel Tello as Under Secretary for Foreign Affairs.
- Cárdenas, Lázaro--President of Mexico, 1934-1940; Commander of Military Region of the Pacific, 1941-1942; Minister of National Defense, 1942-1945.
- Cárdenas Rodríguez, Colonel Antonio--Commanding Officer of Mexican 201 Air Squadron.
- Carranza, Venustiano--Leader of revolt against Huerta; President of Mexico, 1914-1920.
- Carusi, Ugo--Commissioner of United States Immigration and Naturalization Service.
- Castillo Najera, Francisco--Mexican Ambassador to the United States, 1937-1945; succeeded Padilla as Foreign Minister in 1945.
- Churchill, Winston--Prime Minister of Great Britain.
- Clark, Robert L.--Member of commission to settle railroad worker wage dispute.
- Clayton, William L.--Assistant Secretary of State.
- Collado, Emilio G.--Director of the Office of Financial and Development Policy.
- Cooke, Morris Llewellyn--United States petroleum expert designated to determine value of expropriated American oil property in Mexico.
- Coolidge, Calvin--President of the United States, 1925-1929.
- Córdova, Roberto--Legal Counselor of Mexican Embassy in Washington.
- Cox, Hugh--Assistant Attorney General.
- Crowley, Leo T.--Foreign Economic Administrator and Alien Property Custodian under Roosevelt.
- Daniels, Josephus--United States Ambassador to Mexico, 1933-1941.
- Davies, Ralph--Deputy Petroleum Coordinator For National Defense.
- de la Colina, Rafael--Chargé d'affaires of Mexican Embassy in Washington.

de la Huerta, General Adolfo--Leader of unsuccessful revolt against Obregón in 1923.

del Río Canedo, Francisco--Mexican Ambassador-at-large.

DeWitt, General John L.--Commander, United States Western Defense Command.

Díaz, Felix--Nephew of Mexican dictator; took part in successful revolt against Madero in 1913.

Díaz, Porfirio--Mexican dictator for almost forty years; overthrown in 1911.

Douglas, Walter--Representative of Federal Loan Agency involved in negotiating Douglas-Wiechers Agreement.

Downey, Sheridan--Democratic Senator from California.

Duggan, Laurence--State Department Political Adviser.

Earle, Lieutenant Commander Ralph K.--Commanding Officer, USS Dolphin.

Eastman, Joseph B.--Director of the Office of Defense Transportation.

Embick, General Stanley D.--Member of Joint United States-Mexican Defense Board.

Falk, Leon--Director of Commodity Credit Corporation.

Fall, Albert B.--Republican Senator from New Mexico.

Farish, W. S.--President of the Standard Oil Company of New Jersey.

Feis, Herbert--State Department Economic Adviser.

Fletcher, Henry P.--United States Ambassador to Mexico, 1917.

Fox, W. C.--New Orleans grain broker.

García, León--Senator from the State of San Luis Potosí.

Garfías, Valentin R.--Member of Mexican-American Commission for Economic Cooperation; Mexican negotiator with American Cyanamid Company.

Gaxiola, F. Javier--Mexican Minister of National Economy.

Gerard, James W.--United States Ambassador to Germany, 1939.

Gomez, Marte R.--Mexican Minister of Agriculture.

Gonzalez Cadena, General Miguel S.--Member of Joint United States-Mexican Defense Board.

Gutierrez, General Eulalio--Appointed Provisional President of Mexico in November, 1914; resigned in December of the same year.

Hale, William--Trusted friend of President Wilson; undertook fact-finding mission to Mexico in 1913 on Wilson's behalf.

Harding, Warren G.--United States President, 1921-1925.

Harris, General A. R.--United States Military Attaché in Mexico.

Hawkins, Harry C.--Chief of State Department's Division of Commercial Policy and Agreements.

Hay, Eduardo--Mexican Minister of Foreign Affairs under Cárdenas.

Hayden, Carl--Democratic Senator from Arizona.

Hidalgo, E.--Mexican Foreign Office employee.

Hill, Major Howard G.--First member of United States Railway Mission to Mexico.

Hitler, Adolf--Chancellor of Germany.

Huerta, General Victoriano--Led successful revolt against Madero; President of Mexico, 1913-1914.

Hughes, Charles Evans--Secretary of State under Harding.

Hull, Cordell--Secretary of State, 1933-1944.

Ickes, Harold L.--Secretary of the Interior and Petroleum Coordinator for National Defense under Roosevelt.

Jenkins, William O.--American Consul at Puebla, 1913.

Johnson, Admiral Alfred W.--Member of Joint United States-Mexican Defense Board.

Johnson, Colonel J. M.--Interstate Commerce Commissioner; successor to Joseph Eastman as Director of the Office of Defense Transportation.

Jones, Jesse--Federal Loan Administrator.

Jones, Marvin--War Food Administrator.

Kenney, General George--Commander, United States Fifth Air Force.

Knox, Frank--Secretary of the Navy under Roosevelt.

Knox, Philander C.--Secretary of State, 1909-1913.

Knutson, Harold--Republican Representative from Minnesota.

Krug, J. A.--Vice-Chairman, War Production Board.

Lansing, Robert A.--Replaced Bryan as Secretary of State under Wilson.

Lockett, Thomas--Economic Counselor of American Embassy in Mexico;
member of Mexican-American Commission for Economic Cooperation.

Long, Breckinridge--Assistant Secretary of State.

MacArthur, General Douglas--Commander, United States Forces Philippines.

MacLean, William G.--Member of commission to settle railroad worker wage
dispute; Assistant Chief of State Department's Division of
Mexican Affairs.

McAdoo, William Gibbs--Democratic Senator from California.

McGurk, Joseph F.--Counselor of United States Embassy in Mexico.

McNutt, Paul V.--Director of War Manpower Commission.

Madero, Francisco--Led successful revolt against Díaz; President of
Mexico 1911-1913.

Marshall, General George C.--United States Army Chief of Staff.

Mayo, Admiral Henry T.--Commander of United States Naval Squadron
stationed near Mexican port-city of Tampico, 1914.

Meeker, David--Assistant Director of the Office of Agriculture War
Relations.

Meltzer, Bernard--Chief of State Department's Foreign Funds Control
Division.

Méndez, Benjamin--Traffic Manager of Mexican National Railway.

Mendoza Lopez, Sergeant José--Winner of United States Medal of Honor.

Messersmith, George S.--United States Ambassador to Mexico, 1942-1946.

Moore, John Bassett--State Department Counselor.

Morelos Zaragoza, General Ignacio--Military governor in Tampico, 1914.

Morganthau, Henry--United States Secretary of the Treasury under Roosevelt.

Morrow, Dwight D.--United States Ambassador to Mexico, 1927-1930.

Motley, Arthur W.--Chief of War Manpower Commission's Employment Office
Service Division.

Murray, James E.--Democratic Senator from Montana.

Navas, Abraham J.--Employee of Mexican Department of Labor and Social
Provisions.

Nelson, Donald--Chairman, War Production Board.

- Novelo Torres, Ernesto--Governor of the State of Yucatán.
- Obregón, General Álvaro--Remained faithful to Carranza during Mexican Revolution; President of Mexico, 1920-1924.
- Olsen, Culbert T.--Governor of California.
- Orozco, General Pascual--Led unsuccessful revolt against Madero in 1912.
- Ortiz, Andrés--General Manager of Mexican National Railway.
- Ortiz Rubio, Pascual--President of Mexico, 1929-1933.
- Padilla, Ezequiel--Mexican Foreign Minister, 1940-1945.
- Padilla Nervo, Luis--Under Secretary of Labor under Avila Camacho.
- Patterson, Robert P.--Under Secretary of War under Roosevelt.
- Pauley, Edwin W.--Treasurer of Democratic National Committee; member of group attempting to enter Mexican petroleum industry.
- Pershing, General John J.--Led Punitive Expedition into Mexico in 1916 for the purpose of capturing Pancho Villa.
- Pierson, Warren--President of Export-Import Bank.
- Pope, Colonel Frederick--Director of American Cyanamid Company.
- Portes Gil, Emilio--Appointed Provisional President of Mexico following assassination of Obregón in 1928.
- Quezon, Manuel L.--President of the Philippine Commonwealth.
- Rockefeller, Nelson A.--Coordinator of Inter-American Affairs; Vice-Chairman of Mexican-American Commission for Economic Cooperation.
- Rodriguez, Abelardo--President of Mexico, 1933-1934.
- Roosevelt, Franklin D.--President of the United States, 1933-1945.
- Russell, Francis H.--Chief of State Department's Division of World Trade Intelligence.
- Sanchez Hernandez, General Tomas--Member of Joint United States-Mexican Defense Board.
- Sheffield, James R.--United States Ambassador to Mexico, 1927.
- Sherman, Lawrence Y.--Republican Senator from Illinois.
- Smith, Harold D.--Director of the Bureau of the Budget.
- Stevens, Oliver M.--Head of United States Railway Mission to Mexico, 1942-1944.

Stevenson, Coke R.--Governor of Texas.

Stettinius, Edward R.--Under Secretary of State, 1943-1944; Secretary of State, 1944-1945.

Stimson, Henry L.--Secretary of War under Roosevelt.

Suárez, Eduardo--Finance Minister under Avila Camacho.

Taft, William Howard--President of the United States, 1909-1913.

Tames, Ramiro--Senator from the State of Nuevo León.

Taylor, Wayne C.--Under Secretary of Commerce; member of Mexican-American Commission for Economic Cooperation.

Tello, Manuel--Chief of the Diplomatic Section of the Mexican Foreign Office, 1941-1943; Under Secretary for Foreign Affairs, 1943-1945.

Thornburg, Max W.--State Department Petroleum Adviser.

Thurston, Walter--United States Ambassador to Mexico, 1946.

Torres Bodet, Jaime--Under Secretary for Foreign Affairs, 1941-1943.

Trujillo Gurria, Francisco--Secretary of Labor under Avila Camacho.

Truman, Harry S.--Vice-President of the United States, 1945; President of the United States, 1945-1953.

Tucker, Morrison G.--Assistant Alien Property Custodian.

Tumulty, Joseph P.--Secretary to President Wilson.

Ugarte, Salvador--Member of Mexican-American Commission for Economic Cooperation.

Vandercook, E. V.--Head of United States Railway Mission to Mexico, 1944-1945.

Villa, General Pancho--One of Carranza's generals, responsible for armed attacks against United States citizens which led to entrance of American forces into Mexico in 1916.

Villa Michel, Primo--Chairman of Mexican-American Commission for Economic Cooperation.

Villaseñor, Eduardo--Director of the Bank of Mexico.

von Collemberg, Baron Rüdrt--German Minister to Mexico, 1941.

Walker, John O.--Assistant Administrator of the Farm Security Administration.

Wallace, Henry A.--Vice-President of the United States, 1941-1945.

Welles, Sumner--Assistant Secretary of State for Latin American Affairs, 1933-1937; Under Secretary of State, 1937-1943.

White, Henry--Assistant to the Secretary of the Treasury; member of Mexican-American Commission for Economic Cooperation.

Wiechers, Luciano--Economic Adviser to the Bank of Mexico; negotiated Douglas-Wiechers Agreement.

Wickard, Claude R.--Secretary of Agriculture under Roosevelt.

Wilson, Henry Lane--United States Ambassador to Mexico, 1910-1913.

Wilson, Woodrow--President of the United States, 1913-1921.

Zapata, General Emiliano--Mexican revolutionary leader.

Zevada, Manuel J.--Mexican petroleum expert designated to determine value of expropriated American oil property in Mexico.

To Patty and Joey

CHAPTER I

SETTING THE STAGE: UNITED STATES MEXICAN RELATIONS, 1910-1940

A huge celebration took place in Mexico City on September 16, 1910, to commemorate the one-hundredth anniversary of Mexico's independence and the eightieth birthday of Porfirio Díaz who, except for a brief interruption, had ruled Mexico with an iron hand for thirty-four years.¹ Thousands of foreigners flocked to the Mexican capital to take part in the festivities. Their genial host spent millions of pesos from the nation's treasury for fireworks, music, food and champagne. To the casual observer Mexico appeared quite happy and contented under the reign of Don Porfirio. This was particularly true since the Indian population and the poor had been barred from the central district of the capital and were prohibited from joining in the celebration. However, a revolutionary spirit was spreading throughout the country, particularly among the peasant classes, and soon would manifest itself in the overthrow of the aging dictator.

Throughout his lengthy rule Díaz did everything in his power to attract foreign capital, primarily from the United States. When potential investors reached Mexico they usually found the Government more than eager to grant whatever concessions were requested, favorable tax legislation, leniency in interpretation and enforcement of local laws, and considerate treatment in the courts. One writer has stated: "What Díaz refused to grant by open and formal proclamation from the housetop

¹Lewis Hanke, Mexico and the Caribbean (Princeton: D. Van Nostrand Company, Inc., 1959), p. 72.

he gradually yielded in the secret places of the palace."²

By 1910 under the Díaz regime some seventy-two million hectares of Mexican soil, about one-third of the national domain, had been alienated, causing one Mexican to remark bitterly: "Mexico has been called the mother of foreigners and the stepmother of the Mexican."³ At the same time only ten percent of the Indian population owned any land whatever, and the Indians themselves were treated as social outcasts by other Mexicans.⁴

Díaz argued that the introduction of foreigners and their capital in Mexico was progressive and necessary for development while the Mexicans denounced their presence as imperialistic and oppressive. This increased foreign investment had coincided with a sharp drop in the economic welfare of the peasants, and it was only natural that a cause and effect relationship be seen between these two occurrences. It was just as natural to carry the analysis one step further and argue that only through a drastic reduction in foreign control of the economy could the position of the lower classes be improved.

Strong feelings of nationalism were in evidence throughout the country as many Mexicans called for expulsion of foreign investors and the removal from office of the man who bade them welcome. Scores of charges were levied against Díaz, a typical one being the granting of "scandalous concessions in rubber lands...to the American multimillionaires John Rockefeller and Nelson Aldrich, which caused the ruin of a

²James Fred Rippy, The United States and Mexico (New York: Alfred A. Knopf, 1926), p. 311.

³Quoted in, Wendell C. Gordon, The Expropriation of Foreign-Owned Property in Mexico (Washington: American Council on Public Affairs, 1941), p. 4.

⁴Hanke, Mexico and the Caribbean, p. 70.

great number of poor towns in the state of Durango."⁵ President Díaz was forced to make a choice; he could not serve two masters. He elected to back foreign capital because he believed economic development should precede social reform, but the reform movement grew and in the end proved too strong for the aged ruler.

In the midst of this agitation for change during the 1910 Mexican General Election, Francisco Madero emerged as the hero of the peasant class and the President's principal opposition. Madero publicly denounced Díaz and was imprisoned by him a few days before the election on charges of inciting armed rebellion. Two months later Díaz announced the results of the election in which, according to official figures, he had received millions of votes while his opponent gathered only 196.⁶ Following his "defeat" Madero was permitted to "escape" from his cell in San Luis Potosí and seek asylum in Texas.

On reaching the United States Madero issued his "Plan of San Luis Potosí" which he had prepared in prison. He demanded that the recent election be nullified, claiming it was dishonest and not representative of the will of the people. He called on the Mexican nation to rise up in revolt against the corrupt regime of Díaz, and set November 20, 1910, as the initial day of action. Madero named himself Provisional President and promised elections as well as broad political, social and economic reforms. Although no major revolt took place on that date, November 20, 1910, began a new era which divided "old" Mexico from "new" Mexico and signalled the start of revolutionary change that has not yet ended.⁷

⁵Quoted in, Rippey, The United States and Mexico, p. 330.

⁶Howard F. Cline, The United States and Mexico (Cambridge: Harvard University Press, 1953), p. 120.

⁷Cline, The United States and Mexico, p. 121.

Díaz who had over the years completely alienated the peasant and Indian populations soon realized that in order to avert a dreadful blood-bath he must step down. Resigning the presidency on May 25, 1911, he journeyed to Veracruz where the German vessel, Ypiranga, was waiting to carry him into exile. He died four years later in Paris still believing that he had valiantly served his patria querida.⁸

As had been promised in the "Plan of San Luis Potosí," elections were held immediately following the ouster of Díaz, and to the surprise of no one Francisco Madero emerged as the victor. Madero was honest, but had little experience in government. He moved cautiously in carrying out his plans and alienated those of his followers who were in favor of immediate and far-reaching economic and political change. Several counterrevolutions followed.

President William Howard Taft whose foreign policy was influenced by his Secretary of State, Philander C. Knox, and who favored any orderly Government in Mexico, promptly recognized the new Mexican regime in November, 1911. When an armed uprising led by General Pascual Orozco almost immediately threatened the infant Mexican administration, Taft put American railroad facilities at Madero's disposal to transport his troops across Texas. As the fighting intensified Taft requested and received Congressional authorization in March, 1912, to embargo arms shipments to both sides in the civil struggle. Two weeks later, however, the embargo was lifted on shipments to Madero's forces.⁹

No sooner had the Orozco rebellion been put down than Felix Díaz, a nephew of the ex-dictator, led a number of army units in a new revolt in

⁸John Edwin Fagg, Latin America: A General History (New York: The Macmillan Company, 1963), p. 702.

⁹Cline, The United States and Mexico, p. 121.

Mexico City on February 9, 1913. Madero's forces scattered the rebelling troops and forced them to take refuge in the military prison which bore the name, Ciudadela. When the President called in additional government troops under the command of General Victoriano Huerta it appeared that the Díaz revolt would be quickly smashed.

Huerta, however, had ambitions of his own, and instead of defeating Díaz concluded a secret agreement with him on February 17, 1913, known as the "Pacto de la Ciudadela". The combined strength of Diaz and Huerta was too much for Madero. On the following day the latter was deposed and Huerta, after having himself appointed Provisional President, sent the following cable to President Taft: "I have the honor to inform you that I have overthrown this Government. The forces are with me, and from now on peace and prosperity will reign."¹⁰

Huerta promised that the ousted President would be granted safe passage to the Mexican border, but a few days later Madero was killed. Huerta claimed that several Maderistas had attempted to free their leader from the presidential palace where he was being held and in the ensuing fracas he had been shot. Historians have found scant evidence to back up this story.

During Madero's presidency, Henry Lane Wilson was the United States Ambassador in Mexico. He was appointed to the post by President Taft in 1910 when it became apparent that Mexico would experience internal dissension as a result of the presidential election. The Ambassador was the brother of the leader of the Republican Party in the state of Washington, and as United States Minister to Chile had been a staunch supporter of Taft's Dollar Diplomacy.

¹⁰Foreign Relations of the United States, 1913, General Huerta to President Taft, February 18, 1913, p. 721.

Because Madero was inexperienced in government and because he did not respond to the American diplomat's suggestions and ideas, which invariably favored United States business interests, Ambassador Wilson developed a resentment for the Mexican President. This resentment soon grew to a passionate dislike, and the Ambassador became convinced and determined that Madero had to be removed from office. This bias so colored his reports to Washington that President Taft and Secretary Knox began to doubt their reliability.

Throughout the period of the successful uprising against Madero, Ambassador Wilson was "suspiciously active."¹¹ He had dealings with both General Díaz and Huerta and was, if not active in its preparation, at least aware of the signing of the "Pacto de la Ciudadela." Following the removal of Madero, Huerta met with Felix Díaz at the American Embassy where it was decided that Huerta should assume the provisional presidency until elections could be held. Ambassador Wilson proudly presented General Huerta to the diplomatic corps and sent glowing messages to Taft who had little idea of the role played by his Ambassador in Mexican internal affairs.¹²

Soon afterwards Britain, France, Germany, Japan and many other countries with envoys in Mexico City recognized the Huerta regime as the legal Government of Mexico.¹³ Ambassador Wilson pleaded for American de jure recognition of the Provisional Government, which Secretary Knox was willing to grant, provided Huerta would agree to certain concessions, among them the establishment of a commission to consider American claims

¹¹Fagg, Latin America: A General History, p. 707.

¹²Ibid., p. 708.

¹³Arthur S. Link, Wilson: The New Freedom (Princeton: Princeton University Press, 1960), p. 349.

for losses suffered during the revolution. When Huerta refused, Taft decided to leave the problem of recognition to Woodrow Wilson who became President in March, 1913.

Despite the strong pro-Huerta stand taken by Ambassador Wilson, by the State Department Counselor, John Bassett Moore, and by many members of the large American colony residing in Mexico, President Wilson decided to withhold formal recognition until he could familiarize himself with the Mexican situation. When he learned the details of the overthrow and subsequent death of Madero, and the manner in which the American Ambassador had presided over the change in government, the new President was so repulsed that he recalled Ambassador Wilson "in something bordering on disgrace."¹⁴ In addition, he sent a special fact-finding mission to Mexico in order to determine the conditions as they then existed, and he decided to continue withholding recognition from a regime that had come into power through the methods used by Huerta. In one respect this policy represented the Jeffersonian principle of recognition which held that a government must be representative of the people. In another respect it seemed to be a new policy because more recently the United States had recognized de facto governments regardless of how they had ascended to power provided there was no serious internal opposition to the new government, and the new regime promised to carry out its international obligations. In addition to these two conditions Taft had made recognition dependent on guaranteed protection of United States nationals and property in the country in question. Now Wilson introduced the element of constitutionality; he intended to examine the manner by which a government had assumed power.

¹⁴Fagg, Latin America: A General History, p. 709.

Any regime which seized the seat of authority by overthrowing a duly-elected government would, under Wilson's new principle, not be recognized unless subsequently sanctified by the will of the people. Wilson held: "that just government rests always upon the consent of the governed, and that there can be no freedom without order based upon law and upon public conscience and approval..."¹⁵ and "we can have no sympathy with those who seek to seize the power of government to advance their own personal interests or ambitions."¹⁶

As events unfolded south of the border Wilson became even more determined to deny recognition to the Huerta Government. Immediately following the coup, the Maderistas leaders in many northern Mexican states rose up in open rebellion against the Provisional Government. On March 26, 1913, the anti-Huertistas, or Constitutionalists, as they preferred to be called, assembled at Guadalupe, demanded the return of constitutional government, and installed Venustiano Carranza, Governor of the State of Coahuila, as "First Chief" or head of the revolutionary movement. Four days later Carranza appointed himself Provisional President of Mexico.¹⁷

Wishing to know more about Mexico, a country which would occupy a great deal of his time from his inauguration until United States entrance into World War I, President Wilson commissioned his good friend, William Hale, to visit the country and report on the conditions as he found them. Hale knew very little about Mexico, but he was an excellent reporter, and Wilson trusted him implicitly.

Hale became convinced that Huerta would not survive and that if the

¹⁵Quoted in, Rippey, The United States and Mexico, p. 333.

¹⁶Quoted in, Link, Wilson: The New Freedom, p. 360.

¹⁷Link, Wilson: The New Freedom, pp. 350-351.

civil war continued for any length of time the United States would be required to intervene. He boldly recommended that Wilson demand the elimination of Huerta and the immediate holding of free elections in order to form a new government which the United States could recognize.¹⁸

In July, 1913, Wilson and Secretary of State William Jennings Bryan reviewed their Mexican policy in light of the report received from William Hale and decided to offer their good offices to mediate the internal conflict. Along with the offer of good offices they articulated what they considered to be satisfactory proposals for a settlement. One of these proposals called for Huerta to renounce his candidacy in the forthcoming election. The General refused, thus retiring the American proposals to the scrap heap of good intentions.

Wilson went before a joint session of the Congress in late August, 1913, to explain his Mexican policy. He emphasized that his concern was only for the welfare of the Mexican people who, due to irresponsible government, were going to suffer even more than they had in the past. He gave details of the initiatives he had undertaken and of their ultimate failure. The President stated: "It was our duty at least to volunteer our good offices--to offer to assist, if we might, in effecting some arrangement which would bring relief and peace and set up a universally acknowledged political authority there."¹⁹

Now the United States could only watch and wait while the bloody civil war took its course. Wilson announced that the Government would recommend that its citizens leave Mexico and would strictly embargo all arms shipments to any part of the republic. Both the American public and Huerta seemed pleased with Wilson's policy of strict neutrality and "watchful

¹⁸Link, Wilson: The New Freedom, pp. 354-355.

¹⁹Quoted in, Link, Wilson: The New Freedom, p. 360.

waiting." In fact, there were even indications from Mexico City that the General might voluntarily withdraw from the presidential election. This, however, was not to be the case.

The Chamber of Deputies, a pro-Maderista body and a thorn in the side of the provisional regime since the coup, threatened to dissolve the Government in mid-October, 1913, and move behind Constitutionalist lines. Huerta quickly moved to unseat the Congress until a new body could be selected by the October 26 ballot. He publicly declared to the diplomatic corps that he would neither seek nor accept the presidency of the Republic in the upcoming election.

The results of the Mexican election discouraged President Wilson and led him to abandon his policy of "watchful waiting." Huerta succeeded in having a subservient Congress elected which in turn declared the presidential election void on the grounds that too few people had cast ballots. The Congress appointed Huerta President ad interim and set the new election for July, 1914. Wilson decided that Huerta should be removed from power in Mexico, but preferred to reach his goal without the use of force. He addressed a confidential memorandum to the Mexican Minister of Foreign Affairs which stated in part:

that, unless General Huerta now voluntarily, and as if of his own motion retires from authority and from all attempts to control the organization of the government and the course of affairs, it will be necessary for the President of the United States to insist upon the terms of an ultimatum, the rejection of which would render it necessary for him to propose very serious practical measures to the Congress of the United States.²⁰

The message was to intimate that the United States would actively assist Carranza if Huerta did not retire.

²⁰Quoted in Link, Wilson: The New Frontier, p. 380.

By January, 1914, the Mexican situation required another decision of Wilson. The Constitutionalist offensive had bogged down and Carranza's forces were actually being pushed back. The "First Chief" needed arms to continue his struggle, and the United States was the best source. Wilson preferred to supply the Constitutionalists with arms and munitions rather than commit American troops to the civil war. The arms embargo on shipments to the anti-Huertistas was lifted on February 3, 1914, when Carranza promised that he would respect foreign investment, including "just and equitable concessions."²¹

This initiative by Wilson, however, did not have the desired effect; Huerta continued to win impressive victories. His success can be attributed to two factors. First, a fierce rivalry was beginning to corrode the formerly solid Constitutionalist ranks. Pancho Villa, one of Carranza's generals, became disenchanted with the "First Chief" and decided to seize power himself. The constant jockeying for position between the two rivals tended to blunt the heretofore sharp fighting edge of the Constitutionalists. Second, the Church and propertied classes who considered Carranza both anti-clerical and the champion of land reform threw their support to Huerta in an effort to retain their favored positions.²²

Meanwhile, on April 9, 1914, an incident occurred which President Wilson used to discredit the Government of Huerta. On that date, one officer and seven enlisted personnel in a whaleboat from the USS Dolphin, one of several American ships stationed off the port-city of Tampico, then under attack by Carranza's forces, were arrested by a group of

²¹Cline, The United States and Mexico, p. 154.

²²Link, Wilson: The New Freedom, p. 392.

Mexican soldiers as they landed without permission to purchase gasoline. Admiral Henry T. Mayo, the Commander of the United States squadron, immediately sent Lieutenant Commander Ralph K. Earle, Commanding Officer of Dolphin, to the local Huertista military governor to demand the release of the prisoners.

General Ignacio Morelos Zaragoza, "dumbfounded" when informed of the arrest, promptly freed the Americans and apologized, explaining that the Mexicans involved were not regular soldiers, but members of the State Guard who were "evidently ignorant of the first laws of war."²³ To this point the whole incident had lasted less than one hour; normally it would have lasted no longer. The American seamen had been neither harassed nor insulted by their captors, and the general population of Tampico was unaware of the incident. However, Admiral Mayo decided that the Mexican response did not adequately atone for the disrespect shown to the United States Navy. His Chief of Staff was sent to General Zaragoza with an ultimatum: by six o'clock the following evening to "hoist the American flag in a prominent position on shore and salute it with twenty-one guns, which salute will be duly returned" by the American flagship.²⁴ In addition, the officer responsible for the arrest was to be court-martialed, and a formal written apology was to be sent to Admiral Mayo.

The matter was quickly referred to the highest levels of both Governments. Huerta agreed to court-martial the responsible officer and to apologize in writing, but he refused to fire the demanded salute. Mayo was backed up by President Wilson who sought a joint resolution from

²³Quoted in, Robert E. Quirk, An Affair of Honor: Woodrow Wilson and the Occupation of Veracruz (Kentucky: University of Kentucky Press, 1962), p. 23.

²⁴Quoted in, Cline, The United States and Mexico, p. 156.

Congress declaring that he was "justified in the employment of armed forces of the United States to enforce demands made on Victoriano Huerta."²⁵

Before this resolution was passed and while Admiral Mayo was planning to seize Tampico, it was learned that the German steamer, Ypiranga, was expected within the next few days to arrive in Veracruz with arms for Huerta. The action anticipated by the United States was shifted to Veracruz where the American forces were told to seize the customs house and prevent the war supplies carried by the German vessel from being delivered to the Huerta Government or to any other party.²⁶

Early on the morning of April 21, 1914, after a brief naval bombardment, about one thousand sailors and marines landed unopposed at Veracruz, ostensibly to prevent arms shipments from reaching the Federalists. Within the hour Huerta's forces, joined by cadets from the Mexican Naval Academy, began to resist the American occupation. By the following afternoon the Mexican defenders had been scattered. Casualties were: Mexican 126 dead and 195 wounded; American 19 dead and 71 wounded.²⁷

In ordering the occupation Wilson had thought there would be no Mexican resistance and possibly no casualties. He was visibly shaken when he learned of the bloodshed on both sides and even more upset when both Huerta and Carranza bitterly protested the American intervention and demanded an immediate withdrawal of the occupation forces. For the next few days war against the combined armies of the Federalists and the Constitutionalists seemed a very real possibility to the American President.

Only the most fortuitous circumstances prevented the outbreak of

²⁵Quoted in, Link: Wilson: The New Freedom, p. 395.

²⁶Link, Wilson: The New Freedom, p. 400.

²⁷Ibid.

hostilities between United States forces in Veracruz and the Constitutionalists who had been attacking the city at the time of the occupation. In order to lessen this undesired possibility, Wilson reimposed the embargo on the shipment of arms and munitions to Carranza while assuring the "First Chief" that the United States had no quarrel with the Mexican people and would "respect in every possible way the sovereignty and independence of the people of Mexico."²⁸

The American intervention was vociferously denounced throughout Latin America. Particularly vehement was one of Buenos Aires' dailies, La Nación, which stated: "The memory of this conflict will live in the history of the relations between the United States and Latin America."²⁹ However, it was three Latin American nations, Argentina, Brazil, and Chile, which offered on April 25 to mediate the conflict, thus removing the United States from a very difficult position.

The Mediation Conference opened on May 18 at Niagara Falls, Ontario and dragged on until late June. The United States was not in any particular hurry to adjourn since as long as American forces were in control of the customs house at Veracruz, Huerta was denied a vital source of revenue necessary to purchase arms, thus causing a continual deterioration in his position vis-à-vis the Constitutionalists. Throughout the conference Wilson and Bryan were most uncompromising in their position that a settlement could only be reached if Huerta were removed from power and a Government were established under Constitutionalist control.

Finally, on June 24 an agreement was reached at the Niagara Conference. Making no reference to the occupation of Veracruz it stated simply that

²⁸Quoted in, Link, Wilson: The New Freedom, p. 402.

²⁹Ibid., p. 403.

the United States would recognize the Provisional Government resulting from the civil war (it was obvious by this time that Carranza would triumph), that the United States would not demand reparation for the Tampico affair, and that the new Provisional Government would grant general amnesty to all sides in the internal struggle and compensate foreigners for damages resulting from the war.³⁰

Huerta realized even better than Wilson that without the revenue from the customs house he could not remain in power. His paper money was worthless, and he had no foreign exchange with which to buy food and armament for his troops. On July 14, after appointing the Chief Justice of the Supreme Court to negotiate with Carranza for the surrender of Mexico City, he resigned the presidency and left the country on the Ypiranga, the same ship that carried Porfirio Díaz into exile.³¹ Mexico City was formally surrendered on August 20, 1914, the day that the "First Chief," surrounded by his generals, triumphantly entered the capital and took up residence in the presidential palace.

Long and difficult negotiations with Carranza for the withdrawal of American troops from Veracruz finally proved fruitful. They were evacuated on November 23, 1914, after the Provisional President promised general amnesty for those Mexicans who had served the occupation force in Veracruz.³² It is rather ironic to note that the ship carrying the arms shipment to Veracruz, which precipitated the invasion there, was allowed to proceed to Puerto Mexico with her cargo for delivery to Huerta.

By the end of August, 1914, most Americans were optimistic with the

³⁰Link, Wilson: The New Freedom, p. 412.

³¹Cline, The United States and Mexico, p. 162.

³²J. Lloyd Mecham, A Survey of United States-Latin American Relations (Boston: Houghton Mifflin Company, 1965), p. 358.

events as they had transpired in Mexico; Huerta had been deposed, his army scattered, and the revolution begun by Madero was apparently successful. However, Wilson and Bryan realized that the situation was not as rosy as it appeared. They saw the volcano just beneath the surface ready to erupt.

South of Mexico City Emiliano Zapata, an agrarian revolutionary, continued his armed land reform independent of the President just as he had done while Madero and Huerta had been in power. Discontent throughout the country was mounting as the effects of the revolution were being felt by an increasing number of Mexicans. The biggest threat to the Government was in the North where Pancho Villa and his powerful Division of the North, now in open revolt against Carranza, sought to gain control of the revolution.

Villa openly solicited the support of Washington. Whatever Don Pancho thought Wilson would like to hear, he said. During the United States occupation of Veracruz, while both Huerta and Carranza were protesting the intervention, Villa assured Wilson that the troops could remain there as long as they wished provided they did not cross Constitutionalist lines.

It appears that sometime during the month of August, for reasons not totally clear, Wilson decided to support Villa in his drive to control the Mexican revolution. The President was probably influenced in his decision by the following factors: 1) a belief that Villa represented the best hope for a solution to the serious agrarian problem; 2) the fact that a great many Americans favored Villa whom they considered to be a modern day Robin Hood; and 3) probably most important, the assumption which seemed quite accurate that Carranza, who had no armies of his own, and only the dubious loyalty of his generals to rely on, was bound to lose

an armed struggle against Villa and his powerful Division of the North.³³

Events in Mexico followed their disturbing sequence as fighting broke out between Villistas and government forces on September 25. Four days later Villa and Zapata agreed to commit their armies to the task of overthrowing Carranza. Wilson who had little faith in Carranza believed that Villa would easily triumph and that his victory would contribute to lasting peace in Mexico. The United States was determined not to intervene again in the bloody struggle.

In October, 1914, a revolutionary convention was held in Aguascalientes to select a Provisional President. Carranza had originally been in favor of such a convention, but he insisted that the convention should select a civilian government to carry out the work of the revolution. Villa and Zapata disagreed insisting that a military government must be maintained. Due to this basic difference Carranza refused to attend the convention which on November 2 elected a former Carrancista, General Eulalio Gutierrez, as its President and appointed Villa as Secretary of War.³⁴ The State Department observer at the scene was optimistic and happily wired the Department: "Truly the Republic of Mexico was born again last night by the selection of a man upon whom all factions and elements could center without discord."³⁵

During the month of November President Wilson's estimate of the situation seemed correct. The Villistas, aided by Zapata, drove Carranza out of Mexico City and captured the capital which they triumphantly entered on December 6. Gutierrez was installed as Provisional President,

³³Arthur S. Link, Wilson: The Struggle for Neutrality (Princeton: Princeton University Press, 1964), pp. 240-241.

³⁴Cline, The United States and Mexico, p. 164.

³⁵Quoted in, Link, Wilson: The Struggle for Neutrality, p. 253.

but when he observed the cruelty of Villa in executing political prisoner he defected to the Carrancistas.

Following his defeat at Mexico City, Carranza had retreated to Veracruz, still claiming to be the rightful ruler of Mexico. Now that Gutierrez had fled their camp, Villa and Zapata were unable to agree on a mutually acceptable plan of government. Superimposed on this new factional struggle was perhaps the most important decision of the entire revolution, that of General Álvaro Obregón to remain loyal to Carranza. With Villa and Zapata now divided among themselves, Obregón began to win important victories. On January 27, 1915, he drove the Villistas from the capital, and Carranza returned to the city the following day.

The United States had, in fact, broken de facto relations with Carranza when the latter was forced to retreat to Veracruz. It was done in a manner that must have been quite humiliating to the "First Chief." When he left Mexico City the State Department simply stopped talking to him, and during December and January maintained de facto relations with Villa. Now that the situation had reversed itself again, the United States resumed de facto relations with Carranza in February.³⁶ This, however, did not heal the deep wounds existing between the two countries. Wilson still had no confidence in Carranza's ability to govern, and the Mexican leader did not trust the United States.

Throughout the spring and summer of 1915 Obregón, continuing to score impressive triumphs, completely shattered Villa's armies and pushed him and his followers far to the north. Secretary of State Robert A. Lansing, who had replaced the retired Bryan, began to feel that perhaps Carranza would be able to unite the divided Mexican people. "The

³⁶Link, Wilson: The Struggle for Neutrality, pp. 456-457.

Carranzistas (sic)," he wrote to Wilson on September 12, "are undoubtedly stronger and more cohesive than they have ever been. In fact I have about reached the conclusion that they are so dominant that they are entitled to recognition."³⁷ Wilson had reached this same conclusion and proposed to several Latin American nations that a conference be held to decide on the advisability of granting de facto recognition to Carranza.

Argentina, Brazil, Chile, Guatemala and Uruguay met with the United States in early August to discuss the recognition issue. After a great deal of discussion it was decided that Lansing should exact from Carranza a promise that his Government would protect foreign lives and property, and fulfill its obligations under international law. When the Mexican ruler agreed to this the American Secretary of State was able to convince his Latin American colleagues to grant recognition.³⁸ "The Conferences," a statement declared, "after careful consideration of the facts, have found that the Carranza party is the only party possessing the essentials for recognition as the de facto government in Mexico...."³⁹ In addition to the above mentioned countries Bolivia, Colombia, and Nicaragua supported the declaration.

On October 19, 1915, the Latin American countries and the United States formally recognized Carranza as the de facto ruler of Mexico. By proclamation Wilson embargoed arms shipments to all factions in Mexico other than the duly recognized Government. These actions produced screams of protest from some American religious leaders who opposed Carranza because of his anti-clericism, and from those with financial interests in Mexico who considered Carranza a danger to their properties.

³⁷Quoted in, Link, Wilson: The Struggle for Neutrality, p. 636.

³⁸Cline, The United States and Mexico, p. 174.

³⁹Quoted in, Link, Wilson: The Struggle for Neutrality, p. 639.

Following the de facto recognition of Carranza's Government, an era of cooperation and good feeling was initiated by the two neighbors. The Mexican President promised to take action on several outstanding problems that had previously clouded relations, and Mexican troops were given permission to transit Texas and Arizona in order to do battle against the remnants of Villa's army in Sonora. Determined to restore full diplomatic intercourse, which had been broken when Henry Lane Wilson was recalled, the State Department proposed the name of Henry P. Fletcher as Ambassador to Mexico. His departure was delayed as serious difficulties again arose between the two countries.⁴⁰

On January 10, 1916, a band of Villa's so-called irregulars led by one of his most trustworthy officers stopped a train at Santa Ysabel, about fifty miles west of Chihuahua City, and murdered seventeen American passengers in cold blood. Many prominent Americans, Senators Albert B. Fall (R., N. Mex.) and Lawrence Y. Sherman (R., Ill.) among them, called for United States military action if Carranza were unable to protect foreigners within his borders. The Hurst press was even more vocal, and quite irresponsible. "It is true at last," it stated. "We see we ARE too proud to fight.... Why even a little, despicable, contemptible bandit nation like Mexico murders our citizens, drags our flag in the dirt and spits at and defies this Nation of ours with truculent insolence."⁴¹

President Wilson made it quite clear that he did not intend to intervene militarily in Mexico. He, of course, deplored the loss of American life, but he was not moved to action as were some members of Congress who visited him the day following the incident. He had recognized

⁴⁰Cline, The United States and Mexico, p. 174.

⁴¹Quoted in, Arthur S. Link, Wilson: Confusion and Crisis (Princeton: Princeton University Press, 1964), pp. 201-202.

the Carranza Government, and he looked to that Government for redress. Besides, Wilson reasoned, the Americans had been warned not to travel in that section of the country in which they had been killed. A considerable sector of public opinion, not wishing war with Mexico, backed the President.

Villa struck again on March 9, 1916, this time on United States soil. Firing indiscriminately he attacked Columbus, New Mexico, where buildings were burned and looted and nineteen Americans killed. This second attack on American lives further aroused the anti-Mexican sentiment in the country and caused many people who had previously supported Wilson's policy to demand instant retaliation.

The President realized the possibility that Villa had carried out his raids to force United States intervention, a move which Wilson was still determined to avoid. A considerable sector of the American public, however, called for the immediate capture and punishment of Villa, something Wilson thought might be accomplished by a small United States force entering Mexico with Carranza's blessing. The latter immediately ordered General Luis Gutierrez, the officer-in-charge at Chihuahua, to track down and capture Villa, but he did not favor granting formal permission for any foreign troops to operate on Mexican soil. In fact, he ordered Government troops at Sonora and Veracruz to resist any American invasion by land or sea.

Wilson could not understand why Carranza elected to take such a stand. He thought he had made it quite clear that the operations would only be against Villa, and under no circumstances would "they be suffered to trench in any degree upon the sovereignty of Mexico or develop into intervention of any kind in the internal affairs of our sister

Republic."⁴²

Although some of Wilson's advisers favored war-like preparations, the President still maintained his position that war must be avoided. He told his secretary, Joseph P. Tumulty: "There won't be any war with Mexico if I can prevent it no matter how hard the gentlemen on the hill yell for it and demand it.... I will not resort to war against Mexico until I have exhausted every means to keep out of this mess."⁴³ In view of the course of events in Europe and the possibility of war with Germany, Wilson was determined not to commit a large amount of military resources in Mexico.

Unexpectedly word was received from General John. J. Pershing, who was to command the expeditionary force, if one were ordered into Mexico, that the Mexican military commanders along the border had said not only could the American force enter their country, but that General Obregón, the Minister of War and Navy, had instructed them to assist the Americans in every way possible. Pershing, with his force of 4,000 men, entered Mexico on March 15. Two days later Congress passed a joint resolution approving the use of the military to capture Villa.

Carranza was persuaded by his advisers to acquiesce to the entrance of Pershing's troops into his country. However, he was not sufficiently convinced of the wisdom of this policy to refrain from sending a mild protest note to Washington on March 18, 1916.⁴⁴

By the beginning of April Villa had not been apprehended. As it became more and more obvious that his capture would involve a lengthy

⁴²Quoted in, Link, Wilson: Confusion and Crisis, p. 211.

⁴³Quoted in, Ibid., p. 213.

⁴⁴Foreign Relations of the United States, 1916, E. Arredondo to Secretary of State, March 18, 1916, p. 493.

operation, tension in Mexico began to mount. Carranza had not protested too loudly because he was advised by Obregón to allow the expedition to enter Mexico and because he had become convinced by Wilson that the troops would be withdrawn as soon as Villa was captured or killed. As time dragged on Mexicans became more insulted at what they considered to be an affront to their sovereignty. They called for an immediate evacuation of the American troops, an action Wilson refused to take. Both Presidents hoped for an early capture of the bandit chieftain which would remove them from their present dilemma.

As the Preventive Expedition moved deeper into Mexican territory the danger of an unfortunate incident increased, and it occurred on April 12 when about one hundred of Pershing's men entered the small town of Parral to buy supplies. A mob, later joined by some three hundred federal troops, threw stones and then fired on the American column which at first retreated, but then returned the Mexican volleys. When the action was over two Americans and more than forty Mexicans had been killed.

Domestic pressures now influenced the action of the two Presidents. Carranza requested the removal of the expeditionary force; Wilson refused. The "First Chief" gave strict orders that the movement of American troops in Mexico in any but a northwardly direction was to be resisted. The American President called out the national guards of Texas, New Mexico and Arizona so as to free the regular troops stationed at the border for a possible invasion. Wilson embargoed arms shipments to Mexico; Carranza took his munitions business to Japan.⁴⁵ War clouds were rapidly gathering.

Another serious exchange occurred on June 20, 1916, making it appear that war could not be avoided. As an American patrol of about seventy-five

⁴⁵Cline, The United States and Mexico, p. 180.

men attempted to pass through the town of Carrizal, the local commander, enforcing Carranza's order to resist all but northern movements by the expeditionary force, refused to allow the patrol to enter the town. Contrary to his orders, the American officer-in-charge decided to force his way through Carrizal. In the ensuing battle thirty Mexicans and fourteen Americans were killed and twenty-three members of the patrol were captured.

Both sides began full-scale preparations for war. Lansing said that armed conflict could be averted only if the prisoners captured at Carrizal were immediately released and harassment of the Punitive Expedition ceased.⁴⁶

Carranza apparently felt that the situation, so pregnant with danger for both sides, had gone far enough. On June 28 the American prisoners were freed, and word filtered into Washington that the order to engage Pershing's men under certain conditions had been modified.⁴⁷ Tensions were relaxed and peace, which Wilson and the majority of the American people still desired, was at least a possibility.

In a particularly courteous letter on July 4, 1916, the Mexican President inquired whether the United States would prefer to settle the existing problems through Latin American mediation or direct negotiations. Wilson preferred the latter. It was agreed that a mixed American-Mexican Commission consisting of three representatives of each Government would meet to arrange the withdrawal of the Punitive Expedition and to "consider such other matters the friendly arrangement of which would tend to improve the relations of the two countries."⁴⁸

⁴⁶Link, Wilson: Confusion and Crisis, p. 311.

⁴⁷Ibid., p. 314.

⁴⁸Arthur S. Link, Wilson: Campaign for Progressivism and Peace (Princeton: Princeton University Press, 1965), p. 54.

Hardly had the commission's first meeting been called to order when an impasse was reached which threatened to doom the effort to failure. The United States wanted to discuss the reasons for Mexican social and economic unrest and ascertain the Mexican position on protection of foreign investment before formulating a plan for withdrawal of the expeditionary force. The Mexican delegation had received strict instructions not to inquire into any issue before an agreement on the evacuation of American troops had been reached. After several meetings in which neither side was willing to adjust its original position the commission adjourned.

By mid-January, 1917, Wilson apparently had decided to pull the American troops out of Mexico. No one knows precisely how he arrived at his decision, but factors probably influencing him were: 1) the election of 1916 was over giving him a freer hand than he previously had; 2) although Villa had not been captured his ability to launch attacks across the border had greatly diminished; and 3) the desire to avoid the possibility of war in the face of the deteriorating European situation.⁴⁹

The mixed commission reconvened for its final meeting on January 15, 1917. Several days later Pershing received orders to prepare for the evacuation of his forces. The last member of the Punitive Expedition left Mexico on February 5.

Scarcely had Wilson reached this decision when he was faced with another, just as complicated and as perplexing: that of full de facto recognition of the Constitutional Government then being formed in Mexico. A Constitutional Convention had adjourned on January 31 after having proclaimed a new Constitution with many bold reform provisions.

⁴⁹Link, Wilson: Campaign for Progressivism and Peace, p. 335.

The Constitution of 1917 stipulated that in the final analysis land was the property of the state and could be expropriated from the individual, with compensation, if demanded by the national welfare. It further specified that communal ejidos should be enlarged, and that immense individual holdings should be partitioned.⁵⁰

Perhaps the greatest amount of controversy arose over Article 27 which stated:

In the nation is vested direct ownership (dominio directo) of all minerals or substances which in veins, layers, masses, or beds constitute deposits whose nature is different from the component of the land, such as... petroleum and all hydrocarbons....⁵¹

Most of the American-owned oil holdings had been obtained between 1876 and 1917. The vital question was whether this key article would be applied retroactively.

Many Americans felt that Wilson should not formally recognize Carranza until a pledge had been obtained guaranteeing United States private property in Mexico. The President, however, had no intention of subordinating United States-Mexican relations to individual financial interests. Ambassador Henry P. Fletcher presented his credentials to the head of the de facto Government on March 3. Carranza was elected President of the Republic on March 11, and Ygnacio Bonillas was received as Ambassador in Washington on April 21, 1917.⁵²

By this time war had spread throughout a great part of Europe, and

⁵⁰Fagg, Latin America: A General History, p. 718.

⁵¹Quoted in, Wendell C. Gordon, The Expropriation of Foreign-Owned Property in Mexico (Washington: American Council on Public Affairs, 1941), p. 60.

⁵²Link, Wilson: Campaign for Progressivism and Peace, p. 338.

on April 6, 1917, the United States finally became a participant in the titantic struggle. During the war Wilson devoted very little of his energies to Mexico, which along with several other Latin American countries had proclaimed its neutrality. Those entrusted with the conduct of relations south of the border knew the President's attitude quite well--no use of force in Mexico under any circumstances. When Carranza assured Ambassador Fletcher that his administration would protect United States property, especially oil holdings, he was granted full de jure recognition.

Throughout the great European conflict Carranza proved to be most uncooperative and even obstructionist. He proposed several pro-German actions, the most infamous suggested that all neutral countries, particularly those of the Americas, try to end the war by mediation. If this proved unsuccessful an economic boycott should be imposed on all belligerents. While this appeared to be a neutral action it would have had little effect on Germany which was prevented by the British blockade from sending her ships abroad for trade purposes. The United States and Britain would have suffered the full impact of the boycott which received very little support from the other American Republics and was not adopted.⁵³

Carranza's sympathies seemed to be with Imperial Germany throughout the war. He failed to prevent Germany's use of Mexican soil as a base for espionage and sabotage against the United States. In fact, Germany felt Carranza's attitude was so cordial that the Zimmerman Note was sent, prior to the entrance of the United States into the war against Germany, promising the return of territory lost to the United States in 1848 and 1853 in exchange for Mexican cooperation during the war. The Mexican President rejected the offer; however, the publication of the note proved

⁵³ Meham, A Survey of United States-Latin American Relations, p. 101.

very embarrassing to both Mexico and Germany.⁵⁴

No sooner had World War I ended than the advocates of a more aggressive Mexican policy began to be heard in the United States. Many of the more prominent American journals called for the punishment of Carranza for his pro-German attitude, the establishment of a regime in Mexico more friendly to foreign capital and the rendering of the same services for Mexico "which had been performed for Cuba."⁵⁵ In September, 1919, a Senate Subcommittee, under the chairmanship of Senator Albert Fall, issued its report on a study of United States-Mexican relations which it had just completed. The report, which has been called "the last word in imperialistic propaganda" advocated a less cordial and more unyielding policy toward Mexico.⁵⁶

As this debate was taking place within the United States, an event occurred which added fuel to the fire of those favoring an interventionist policy toward Mexico. William O. Jenkins, the American Consul at Puebla, was kidnapped by a revolutionary band of Mexicans and held for ransom. Carranza did nothing to effect his release.

For Senator Fall this was the last straw. In November he introduced in the Senate a resolution calling for the rupture of relations with Mexico preparatory to a declaration of war. While Fall was discussing the resolution with President Wilson, who was then seriously ill and confined to bed, Secretary Lansing sent word that Jenkins had been released.⁵⁷

⁵⁴Mecham, A Survey of United States-Latin American Relations, p. 361.

⁵⁵James Fred Rippey, American Policies Abroad: Mexico (Chicago: The University of Chicago Press, 1928), p. 58.

⁵⁶Ibid., p. 60.

⁵⁷Cline, The United States and Mexico, p. 190.

The immediate crisis was over.

With the national election in the United States less than a year off, the Mexican question, although not nearly as important as the League of Nations, was a campaign issue. The Republican Party pledged to support a much more drastic Mexican policy.

The presidential election was also approaching in Mexico where, under the new Constitution, incumbents were not eligible for reelection. Laboring under the false impression that he was sufficiently strong to pick his replacement, Carranza chose Ignacio Bonillas, a former Ambassador in Washington, as his successor. Opposition sprang from all sides, the most strenuous coming from Álvaro Obregón, commander of the most elite state troops. Realizing that he was greatly outnumbered, Carranza, with his pockets bulging, attempted to flee the country. His train was stopped enroute to Veracruz and the "First Chief" was killed.

Following Carranza's death in 1920 General Obregón was elected President of the Republic. The new jefe immediately assumed a friendly position toward the United States where anti-Mexican agitation soon ceased.

Woodrow Wilson relinquished the presidency to Warren G. Harding in March, 1921. Throughout his eight years in office Wilson was more concerned with Mexico than he was with any other country with the possible exception of Germany. He was convinced that a war with Mexico could be averted, and he staunchly maintained that position in the face of great opposition. He tried to show the Mexican people the way to democratic government, and in so doing he unfortunately intervened significantly in their internal affairs. He has been criticized on many accounts, particularly the invasion at Veracruz, an action for which criticism seems deserved. However, his successes, particularly that of averting a war should not be disregarded. It seems quite true, as one writer states:

"But no one has ever done great things without making mistakes, and Wilson's mistakes were not to be compared to his accomplishments in Mexican policy."⁵⁸

As Wilson had been left with the decision on recognition of Huerta, Harding took office with a similar issue confronting him. In order to gain United States recognition Obregón was willing to make several verbal concessions concerning the protection of property of foreigners and non-retroactive application of Article 27 of the Constitution of 1917, but Secretary of State Charles Evans Hughes, remembering similar promises from Carranza, wanted a formal, written treaty.⁵⁹ In addition Hughes wanted a commission set up to award damages for losses suffered by Americans during the revolution. For obvious political reasons the Mexican President was unwilling to sign such a document. Immediate United States recognition was therefore withheld from his regime.

In order to ease mounting tensions and ultimately gain recognition, Obregón, in 1921, pressured the Mexican Supreme Court, which had several oil cases before it, to adopt the doctrine of "positive act." The court decided that property acquired before the Constitution of 1917 had been adopted, on which the owner had erected drilling equipment, or had taken some other "positive act," would be exempt from retroactive application of Article 27. In other words, the oil on the property, under the court's decision, belonged not to the state, but to the owner of the property. For land on which no "positive act" had taken place or land acquired after the Constitution of 1917 had come into force, Article 27 would apply.⁶⁰

⁵⁸Link, Wilson: Campaign for Progressivism and Peace, p. 339.

⁵⁹Cline, The United States and Mexico, p. 206.

⁶⁰Ibid.

The State Department was not satisfied with the court decision since under Mexican law five such decisions without an intervening dissent were needed in order to establish a precedent which could be applied in subsequent cases. Harding and Hughes still demanded a written document which would bind not only Obregon, but also future administrations. The President could not comply without seriously compromising Mexican revolutionary spirit and economic policies. By 1922 the "positive act" doctrine had been applied in the five Supreme Court decisions required to establish a firm precedent. The United States, however, would not compromise its demand for a written commitment.⁶¹

The impasse continued until 1923 when both countries agreed to hold a conference aimed at settling all existing problems. The Bucareli Conference, held at No. 85 Bucareli, in Mexico City, met from May 15 to August 15 and resulted in an "Extra-Official Pact," or gentlemen's agreement between the two Presidents, and two formal conventions.⁶² The former dealt with the two outstanding issues between the two countries: confiscation of agricultural land for use as ejidos, and ownership of oil deposits, while the latter were concerned with claims for damages suffered by United States citizens in Mexico.

The United States position had always been that payment for expropriated lands in the form of rapidly depreciating and non-convertible bonds was equivalent to confiscation without compensation. In the "Extra-Official Pact" it was agreed that due to the "worthy objectives of the agrarian reform in Mexico" bonds would be accepted provided that each expropriation was not greater than 4,335 acres. The Supreme Court doctrine

⁶¹Cline, The United States and Mexico, p. 206.

⁶²Mecham, A Survey of United States-Latin American Relations, p. 363.

of "positive act" was accepted by both sides in determining ownership of subsoil petroleum deposits.⁶³

Two claims conventions were signed: a General Claims Convention for damages dating back to 1868 when the last convention had been held by the two countries and a Special Claims Convention for claims resulting from the revolutionary period, 1910-1920.

As a result of the agreement reached at the Bucareli Conference formal recognition was granted to Obregón on August 31, 1923. Almost immediately the benefits of United States recognition began to flow to the Mexican President.

Adolfo de la Huerta, who had served as Provisional President for a short period between the death of Carranza and the formal assumption of power by Obregón, launched an armed revolt on the grounds that Obregón in the "Extra Official Pact" had compromised the aims of the revolution. The de la Huerta uprising would probably have succeeded had Obregón not received prompt military aid from the United States. In addition to arms and ammunition, American aircraft were transferred to Mexico and used by government forces to bomb rebel positions in Jalisco, thereby assisting Obregón to remain in power.⁶⁴

With de la Huerta's defeat Plutarco Calles, Obregón's hand-picked successor, had little difficulty winning the presidential election of 1924. He was recognized by the United States after repeatedly promising to abide by the agreements reached at the Bucareli Conference.⁶⁵ Relations

⁶³ Mecham, A Survey of United States-Latin American Relations, p. 364.

⁶⁴ Cline, The United States and Mexico, p. 208.

⁶⁵ Gordon, The Expropriation of Foreign-Owned Property in Mexico, p. 77.

between the two countries proceeded smoothly until the first month of 1926.

In December, 1925, the Mexican legislature reacting to initiatives supplied by President Calles, enacted a land law and a petroleum law to supplement the Constitution of 1917. The former demanded that all foreigners owning large tracts of agricultural land surrender majority shares, while the latter required the owners of all oil property to exchange their title for a concession which would run for fifty years. In addition, all foreigners owning property in Mexico had to agree to be bound by the Calvo Clause, that is agree not to request the diplomatic protection of their government under penalty of forfeiture of their property.⁶⁶

The provision that caused the greatest controversy was the requirement to surrender title to oil property in exchange for a fifty year concession. December 31, 1926, was the deadline, ignored by the majority of American owners, for applying for the concession. The oil companies felt that by surrendering their titles, confiscation of their properties by the Mexican Government would be made easier.

The United States immediately protested these laws as contrary to the agreements reached at the Bucareli Conference. Calles retorted that the "exchange of views" in 1923 was in no way binding on his Administration despite his promise made prior to receiving American recognition.⁶⁷ The Hurst press, several prominent legislators, and some sectors of public opinion, as in the previous decade, called for armed intervention in Mexico.

⁶⁶ Mecham, A Survey of United States-Latin American Relations, p. 364.

⁶⁷ Ibid.

By 1927 the situation had deteriorated to such a degree that President Calvin Coolidge felt compelled to report to Congress on its seriousness. Unconfirmed Mexican sources claimed that Calles somehow received copies of secret letters between Coolidge and Ambassador James R. Sheffield in Mexico City indicating that the two American officials were trying to manufacture an incident which could be used as a basis for United States intervention. Calles allegedly threatened Coolidge with publication of the letters if the latter did not assume a more friendly position toward Mexico.⁶⁸

By the fall of 1927 both Governments had become somewhat conciliatory. On September 22 Ambassador Sheffield was recalled and a few weeks later Dwight D. Morrow, a former college classmate of President Coolidge, assumed the vacant post in Mexico City. Many felt that the appointment of Morrow, a Wall Street financier, was the worst possible choice for this key position in such a crucial time, but their fears were soon dispelled. He treated the Mexicans as equals, cultivating cordial social and diplomatic ties. Soon Mexicans one and all considered him very simpático.

Calles, at the same time, decided to back down from the hostile position he had taken toward foreign oil interests. It is very likely that Ambassador Morrow, who in a short time had become a very good friend of the Mexican President, influenced this decision. He also persuaded Calles to cease his anti-clerical campaign which had aroused intense anti-Mexican feelings among American Catholics.

The new attitude toward the oil companies was first evidenced in November, 1927, by a Mexican Supreme Court decision which held that it would be unconstitutional for the Mexican Government to confiscate

⁶⁸Cline, The United States and Mexico, p. 210.

property from an American company which failed to exchange its title for a concession by the December, 1926 deadline.⁶⁹ Four more such decisions were needed under Mexican law to form a precedent.

Calles, who had been largely responsible for the court decision, decided not to wait until the courts could act in the required number of cases. He recommended to the Congress that a new petroleum law be adopted which would eliminate those articles most offensive to the American Government and the oil companies. The requested legislation, approved in March, 1928, followed exactly the wording of the "Extra-Official Pact" agreed to at the Bucareli Conference.⁷⁰

The United States considered the new Mexican law to be fair and impartial. The State Department in a press release declared: "These steps, voluntarily taken by the Mexican Government, would appear to bring a practical conclusion to the discussions which began ten years ago with reference to the effect of the Mexican Constitution and laws upon foreign oil companies."⁷¹ That a settlement was reached acceptable to both sides attests to the success of the "Morrow Mission."

Between 1928 and 1934 no controversies existed in United States-Mexican relations which could not be settled through normal diplomatic channels. The Good Neighbor Policy, initiated during the Hoover Administration and formally adopted by President Roosevelt, was in full bloom, and nothing was permitted to cause a deterioration in relations with the United States nearest Latin American neighbor. When Ambassador Morrow left Mexico City in September, 1930, there were no outstanding issues

⁶⁹Gordon, The Expropriation of Foreign-Owned Property in Mexico, p. 70.

⁷⁰Cline, The United States and Mexico, p. 211.

⁷¹Quoted in, Ibid., p. 212.

between the two countries with the exception of matters under consideration by the claims commissions set up in 1923.⁷²

As mentioned earlier, the General Claims Commission was to consider all outstanding claims since 1868 except those arising from the revolutionary period, 1910-1920, which were to be handled by the Special Claims Commission. Following seven years of existence the General Claims Commission, in August, 1931, listed the following very limited accomplishments: American claims: filed, 2,781, amounting to \$513,694,267.17; claims disallowed or dismissed, 50; awards made, 89, amounting to \$4,607,926.59; Mexican claims: filed, 835, amounting to \$246,158,395.32; claims disallowed or dismissed, 4; awards made, 5, amounting to \$39,000.⁷³ No overall settlement of the general claims problem was possible until it was resolved by the comprehensive agreement of November 19, 1941.

The Special Claims Commission did not even enjoy the limited success of the General Claims Commission. The first special claim considered, amounting to \$1,225,000, was for the murder of American citizens by Villa's men at Santa Ysabel. The Mexican representative, supported by the Brazilian umpire, argued that his Government was not responsible for the massacre. The American representative violently objected, refusing to discuss any other claims until the Santa Ysabel incident was decided.⁷⁴

It was not until 1934 that a lump sum settlement for all special claims, to be paid in annual installments, was agreed to by both sides. It was decided that Mexico would pay 2.64 percent of the total amount of these claims. The 2.64 figure was the actual percentage that mixed European-

⁷²Mecham, A Survey of United States-Latin American Relations, p. 366.

⁷³Ibid., pp. 366-367.

⁷⁴Ibid., p. 367.

Mexican commissions had awarded considering each individual claim. Using this approach a sum of \$5,448,020.14 was awarded to the United States. Mexico, paying annual installments of \$500,000, made her final payment for special claims in 1945.⁷⁵

Calles influenced the 1928 election so as to have ex-President Obregón succeed him in the presidential palace. However, before the inauguration could take place Obregón was assassinated, and Calles appointed Emilio Portes Gil Provisional President until another election could be held to select the new Chief Executive to complete the term, recently extended to six years, that Obregón was to have filled.

It soon became obvious that although Calles was no longer President he was by far the most dominant figure on the Mexican political scene. Under his initiative and leadership Mexico officially became a one-party state. He succeeded in having himself named jefe máximo of the Partido Nacional Revolucionario, a position from which he was able to control the election of 1929 that carried Pascual Ortiz Rubio to the Presidency.⁷⁶

Ortiz Rubio consulted with Calles on every decision but one. In 1933 he neglected to secure the permission of his jefe prior to making a minor appointment. A short time later under pressure from Calles he resigned his office and left the country. Abelardo Rodriquez, submitting to the will of Calles, served as the President until the regular election in 1934.

Prior to 1933 a great deal of the widespread anti-American feeling throughout Latin America was due to the United States policy on protection of its nationals and their property abroad. Nearly all of the American

⁷⁵ Mecham, A Survey of United States-Latin American Relations, p. 367.

⁷⁶ Fagg, Latin America: A General History, p. 722.

Presidents since the turn of the century had felt they were free to use whatever pressures they desired, including armed intervention, to secure proper respect for United States lives and property. When Franklin Delano Roosevelt took up residence in the White House, he, his Secretary of State, Cordell Hull, and his Assistant Secretary of State for Latin American Affairs, Sumner Welles, carefully reviewed and modified this traditional attitude.

This reversal in United States policy became known at the Seventh International Conference of American States held in Montevideo in 1933 and the Inter-American Conference for the Maintenance of Peace which was convened in Buenos Aires in 1936. In declarations at these two conferences the United States agreed not only to cease acts of armed intervention, but also to refrain from any interference in the internal affairs of the Latin American states. American businessmen with financial interests south of the border, were now required to exhaust all local remedies before appealing to the State Department for diplomatic protection in cases where they felt mistreated.

The relative calm in United States-Mexican relations lasted until the inauguration of President Lázaro Cárdenas in November, 1934. Under his leadership the revolutionary spirit which had laid dormant since 1928 was rekindled, leading to a period of greater tensions than had been experienced since the "Morrow Mission."

Agrarian reform was reinstituted as one of the major aims of the Government causing the expropriation of large amounts of American-owned land. Indications that the President's program also included the nationalization of industries and natural resources were given by the enactment of the Expropriation Law of 1936 which gave the Executive practically unlimited power to seize private property for "public and

social welfare."⁷⁷

Cárdenas cited the expropriation law as his source of authority in taking over the National Railways of Mexico in June of 1937. Although significant amounts of United States private capital were invested in the railways this action caused hardly a ripple through the State Department. In March of the following year the Mexican President, under the same law, expropriated various British and American oil properties, promising eventual compensation.⁷⁸

By 1938 Mexican petroleum production was only a fraction of what it had been nearly twenty years earlier. In 1920 Mexico had been, next to the United States, the world's second largest producer of oil, accounting for just under 200 million barrels out of the world total of 766 million barrels.⁷⁹ Significant American investments in Mexican oil property prior to the Mexican Constitution of 1917 were primarily responsible for the large output. Although a sort of modus vivendi was established after 1917 between the Mexican Government and the oil companies, and no oil was expropriated prior to 1938, the handwriting was on the wall. American capital flow to the Mexican oil industry dropped off sharply, and exploration for new wells decreased, so that by 1938 total Mexican production was only 38.5 million barrels.⁸⁰

When analyzing the oil expropriation, it should be kept in mind that the controversy centered not on the legal status of petroleum property, but on a labor dispute concerning a demanded pay increase. In

⁷⁷ Mecham, A Survey of United States-Latin American Relations, p. 368.

⁷⁸ Ibid.

⁷⁹ Gordon, The Expropriation of Foreign-Owned Property in Mexico, p. 50.

⁸⁰ Ibid.

1935 President Cárdenas had urged the many small Mexican petroleum unions to organize into a strong National Petroleum Workers Syndicate. This centralization resulted in an increasing number of strikes being called to protest allegedly unjust worker treatment by the oil companies.

The National Syndicate in November, 1936, demanded that wages be significantly increased and that many fringe benefits be granted to the workers. When its demands were ignored the union called a general strike which was prevented only through the intercession of Cárdenas who ordered a six month "cooling off" period. During this time the oil companies and the syndicate representatives carried on long negotiations which were completely unsuccessful in averting the strike after the six months had elapsed.

The Federal Board of Arbitration and Conciliation after reviewing the report submitted by its investigating commission, directed the companies to raise wages by twenty-seven percent which would have increased their payrolls by over 26 million pesos.⁸¹ The companies appealed to the Mexican Supreme Court to overrule the Federal Board, but the Court sustained the Board's order.

The petroleum companies resorted to bargaining with the laborers and the unions. They offered to raise salaries by 24 million pesos which was acceptable to Cárdenas and the workers, but when the companies demanded the President agree that this would be the final wage increase requested by the unions the bargaining broke down. Cárdenas was willing to agree verbally that this would be the final wage demand, but the American companies, remembering promises received under past Presidents, wanted the agreement in writing. Feeling that his honor had been questioned, the

⁸¹Cline, The United States and Mexico, p. 235.

Chief Executive refused.⁸²

After deliberating for several weeks the oil companies announced that they could not and would not meet the demanded wage increase. On March 15, 1938, Cárdenas declared his intention to nationalize the foreign dominated oil industry, an action carried out three days later despite statements from the nervous companies that they would now pay the required 26 million peso wage increase. Mexicans were jubilant over their "economic independence" which they compared to their political independence of 1810.⁸³

The Mexican Ambassador in Washington, Francisco Castillo Nájera, in explaining the reason for the nationalization noted: "the obstinacy of the companies in disobeying the law, and the threat implied by their declaration 'that they would not be responsible for the consequences' of the dispute, which amounted to their considering themselves as powerful as the government was decisive in bringing about the action on the night of March 18, 1938."⁸⁴

It has been speculated in some sectors that Mexico had decided to seize the oil properties prior to the Buenos Aires Conference of 1936 where, it will be recalled, the United States renounced the use of intervention and interference in the domestic affairs of Latin American States. This was probably not the case although it can not be denied that Mexico, along with Argentina, took the lead in pressing for the adoption of the non-intervention protocol, which the head of its delegation, Castillo

⁸²Cline, The United States and Mexico, p. 236.

⁸³Ibid., p. 238.

⁸⁴Quoted in, Bryce Wood, The Making of the Good Neighbor Policy (New York: Columbia University Press, 1961), p. 203.

Nájera, stated was "the principal objective of Mexico."⁸⁵ When questioned following the expropriation regarding the possibility of United States intervention he postulated: "Roosevelt would not commit such an attack, both because of his personal sentiments, and because of the international pledge of the Non-Intervention Protocol."⁸⁶ Castillo Nájera could very easily have added a third reason: Roosevelt had already decided, with respect to the expropriation controversy, that it was in the United States best interest to appease Mexico.

Great Britain, which needed Mexican petroleum so urgently, particularly as events in Europe began to unfold in 1938, and which lost more property than the United States as a result of the expropriation decree, protested furiously the actions of the Mexican Government. So violent was the diplomatic protest that Cárdenas severed relations with Britain, reminding her that by defaulting on her war debt to the United States after World War I, she had not carried out her international financial obligations.⁸⁷

The State Department was shocked by the Mexican expropriation, but Secretary Hull was quick to declare that the Roosevelt Administration did not question Mexico's right to seize the property as long as prompt and adequate compensation was paid to the owners.⁸⁸ Never was there even the slightest indication that armed intervention was being considered as

⁸⁵Quoted in, Wood, The Making of the Good Neighbor Policy, p. 121.

⁸⁶Quoted in, Mecham, A Survey of United States-Latin American Relations, p. 120.

⁸⁷Fagg, Latin America: A General History, p. 728.

⁸⁸Edward O. Guerrant, Roosevelt's Good Neighbor Policy (Albuquerque: The University of New Mexico Press, 1950), p. 106.

a policy option by the American President. The United States attitude was praised by Cárdenas as further indication of "a policy which is winning," for the United States, "the affection of many people of the world."⁸⁹

Two economic measures designed to put pressure on the Mexican Government were taken, but they proved to be rather ineffective. On March 27, the State Department announced the suspension of the 1936 silver purchase agreement under which the United States was required to buy five million ounces of Mexican silver per month at a rate slightly higher than the world price.⁹⁰ However, since Americans owned about 70 percent of the Mexican silver mines, the loss of revenue due to the suspension was felt at home causing strong lobbies in Washington to demand its removal.⁹¹ In addition, it was evident that if this measure achieved its designed goal of putting great pressure on the Mexican Government, Cárdenas would simply nationalize the silver mines. For these reasons, although the suspension was not formally lifted, after only three weeks of its operation the United States resumed silver purchases on a day-to-day basis.

Shortly after the expropriation all United States Government lending agencies decided against making any further loans to Mexico, a policy which they continued until November, 1941, when the petroleum issue was ultimately resolved. In 1939 the State Department replied to an inquiry from Ambassador Josephus Daniels in Mexico City concerning a loan to Mexico for purchasing fishing vessels that it knew of no agency where

⁸⁹Quoted in, Mecham, A Survey of United States-Latin American Relations, p. 120.

⁹⁰Wood, The Making of the Good Neighbor Policy, p. 223.

⁹¹Cline, The United States and Mexico, p. 241.

such a loan might be available. This "no loan policy" had been employed with success previously in influencing the President of Bolivia to change his policy toward the Standard Oil Company of New Jersey, but it had little effect on the determined Cardenas.⁹²

The initial Mexican reply following the seizure was quite encouraging to the proponents of the Good Neighbor Policy. President Cárdenas, in a note to Ambassador Daniels on March 31 wrote: "You may be sure...that Mexico will know how to honor its obligations of today and its obligations of tomorrow."⁹³

By mid-summer, when no settlement had been reached, Secretary Hull set out, in a note to the Mexican Ambassador in Washington, the differences between expropriation and confiscation, explaining that the Mexican action in respect of the petroleum property was no less confiscatory simply because Mexico had promised to pay a still to be agreed upon figure on an undetermined date. Eduardo Hay, the Mexican Foreign Minister, in answering Hull's note stated that the Cárdenas plan to put Mexico's land in the "hands of the people who work it...cannot be halted by the impossibility of paying immediately the value of the properties belonging to a small number of foreigners who seek only a lucrative end."⁹⁴

Throughout the remainder of 1938 the position of the two Governments did not change. The United States, not wishing to damage its new image in Latin America, frequently acknowledged the right of the Mexican Government to expropriate the property, but insisted that prompt and adequate compensation had to be paid. Cárdenas agreed that compensation would

⁹²Wood, The Making of the Good Neighbor Policy, p. 233.

⁹³Quoted in, Guerrant, Roosevelt's Good Neighbor Policy, p. 106.

⁹⁴Quoted in, Ibid., p. 107.

eventually be paid, but he pointed out that a great deal of Mexican-owned property had been seized on which no compensation had as yet been paid, and therefore, the United States was demanding for its nationals better treatment than Mexican nationals were receiving, something which he could not grant.

Since Hull was meeting with little success in attempting to placate the loud voices of the oil companies which were demanding greater governmental support on their behalf, he decided to turn his efforts toward assisting the modest investors who had lost property in Mexico since 1927. It will be remembered that the Bucareli Convention had concerned itself with claims up to 1923, and very little land had been seized between 1923 and 1927. In November, 1938, the Cárdenas Administration agreed to submit to a mixed commission claims for land expropriated since 1927. To show its good intentions Mexico agreed to pay \$1,000,000 annually until the commission reached its decision on the total amount owed.⁹⁵ A final settlement was not reached until November, 1941.

Coincident with the very moderate efforts of the United States Government to reach a solution to the petroleum issue, the oil companies, encouraged by the State Department, were attempting to solve the problem directly with the Mexican Government. The companies demanded either the immediate return of their land or prompt payment of compensation for the entire value of their property which they placed at \$260 million.⁹⁶ In reaching this figure the Americans included the value of underground petroleum deposits, which position was strenuously objected to by the Mexicans. The companies contention was completely undermined by President

⁹⁵Mecham, A Survey of United States-Latin American Relations, p. 369.

⁹⁶Guerrant, Roosevelt's Good Neighbor Policy, p. 108.

Roosevelt who sided with Cárdenas in declaring that despite the Bucareli Agreement of 1923 and the new petroleum law signed by Calles in 1928, the value of the oil deposits should not be included in the settlement i.e., could be taken without compensation.⁹⁷ Even without this unexpected backing by the American President, the Mexican Government had no intention of paying such a high price for the oil properties and, of course, no thought was given to returning them.

No progress whatsoever was made toward a settlement in 1939. Secretary Hull proposed arbitration to the Mexicans as a possible method for reaching an equitable solution, but the Cárdenas Administration flatly rejected this idea on the grounds that arbitration should be used only in cases of "irreducible differences" which did not exist in this case.⁹⁸

In late 1939 the petroleum companies appealed to the Mexican Supreme Court a lower court decision of the previous year which held that Cárdenas had not violated the Constitution of 1917 in seizing the oil property. On December 2, the Mexican Supreme Court in upholding the lower court decision ordered the Mexican Government to return the "accounting books, accounts and documents" which had been taken on March 18, 1938, but sustained the President's action as being a "public benefit in favor of the Nation."⁹⁹ In addition, the Court held that Mexico could take as long as ten years to pay compensation, that no compensation need be paid for the subsoil deposits since under the Constitution of 1917 the ownerships of such deposits resided with the state, and that compensation need be paid only for legitimately invested capital and on the tax value of

⁹⁷ Mecham, A Survey of United States-Latin American Relations, p. 369.

⁹⁸ Guerrant, Roosevelt's Good Neighbor Policy, p. 108.

⁹⁹ Quoted in, Guerrant, Roosevelt's Good Neighbor Policy, p. 108.

the land.¹⁰⁰ The companies bitterly protested the decision, but to no avail.

In an attempt to force the Mexican Government to reach what they considered to be a just settlement the oil companies began to bring suit in United States and European courts by attaching Mexican oil shipments as they entered the ports of those countries, alleging that the Mexican Government had illegally taken the oil from them. After a few successes for the companies, the decisions began to favor the Mexican Government since many courts, especially after the 1939 Mexican Supreme Court decision, declared that the seizure was not illegal.¹⁰¹

The expropriated American companies also attempted to retaliate against the Mexican Government by urging that all foreign petroleum enterprises cease purchasing Mexican oil. Two of the companies, Standard Oil of New Jersey and Dutch Shell, were of such enormous importance in world petroleum markets that their "fiat was law." Due to the tremendous success of their efforts, Mexico was obliged either to make a settlement satisfactory to the American oil companies or direct her oil to the Axis countries: Germany, Italy and Japan. She chose the latter course. During the 1939-1940 period Mexico supplied 68 percent of Germany's oil imports.¹⁰² Since Mexico was not earning dollars with her oil exports, she was not able to purchase as many American products as she previously had. Thus, both the State Department and United States exporters viewed the deteriorating situation with alarm; the former because Mexico, America's closest southern neighbor, was being drawn ever so close to the Axis web, and the

¹⁰⁰Guerrant, Roosevelt's Good Neighbor Policy, p. 110.

¹⁰¹Wood, The Making of the Good Neighbor Policy, p. 227.

¹⁰²Gordon, The Expropriation of Foreign-Owned Property in Mexico, p. 91.

latter because of decreasing revenues from Mexican trade.

Throughout the remainder of Lázaro Cárdenas' term of office, very little progress was made in reaching a solution to the oil problem. In 1940 one of the small expropriated companies reached an independent settlement in which Mexico agreed to pay \$8.5 million as compensation for property seized, but the remainder of the companies and the Mexican Government refused to budge from their original positions, thus prolonging the stalemate.¹⁰³

On December 1, 1940, Manuel Avila Camacho succeeded Cárdenas as President of Mexico. Camacho and his Foreign Minister, Ezequiel Padilla, were both dedicated to the principles of the revolution, but they were both considered more friendly toward the United States than Cárdenas.

With German victories in Norway, Denmark, the Low Countries and France, events in Europe were becoming more chaotic and dangerous each day; the United States was already waging the "phony war" and had firmly committed itself to the side of the Allies in the rapidly approaching world war. The vicissitudes in United States-Mexican relations had been many since the overthrow of Díaz, but never in those thirty years did the world situation so clearly point out that a solution to the pressing problems was so fundamentally in the interest of both countries. The deadlocked General Claims Commission set up by the Bucareli Conference of 1923, the inability of the claims commission set up in 1938 to reach a decision, and the petroleum controversy were all obstacles to effective cooperation in the titanic struggle that loomed over the horizon.

The United States was vitally interested in the defense of the Hemisphere against an invasion by the Axis powers. Roosevelt thus took

¹⁰³Guerrant, Roosevelt's Good Neighbor Policy, p. 111.

the lead at the Eighth International Conference of American States at Lima in 1938 in persuading the Latin Americans to agree to consult in the event of threats to the hemisphere from abroad; at the First Meeting of Consultation of Foreign Ministers at Panama in 1939 where it was agreed to set up the neutrality patrol; and at the Second Meeting of Consultation of Foreign Ministers at Havana in 1940 where the Inter-American Peace Committee was formed and where it was agreed that any nation (i.e., United States) could intervene to prevent the Axis from acquiring European territory in this Hemisphere. Without the active cooperation, or at the very least, the strict neutrality of the United States closest Latin American neighbor, the effectiveness of these measures would be jeopardized.

As has been noted, Mexico, under Cárdenas, and primarily due to the boycott set up by the American oil companies, was trading quite substantially with the totalitarian powers in 1939 and 1940. Avila Camacho, concerned that his country was supplying strategic materials to the Axis, wanted Mexico to revert to doing business almost exclusively with her more traditional commercial partner. Both Roosevelt and Camacho were determined to resolve the troublesome issues pending between their countries and adopt programs and policies leading to ever-increasing degrees of cooperation and collaboration during the forthcoming years of crisis.

CHAPTER II

1941-THE YEAR OF RECONCILIATION

Although President Cárdenas was unable to satisfactorily settle the petroleum dispute with the United States before turning over the reins of government to his successor, he decided no later than early June, 1940, that the position of Mexico during the rapidly approaching global struggle should be beside her northern neighbor. He was probably influenced in his decision by the conviction that all Democratic Governments should form a solid front in the face of the very real danger presented by the Axis Powers, and by his ever-increasing faith in the good intentions of President Roosevelt and his Good Neighbor Policy. The economics of the situation also pointed in the same direction, since by mid-1940 the British blockade of the Western European Coast made trade with Germany and Italy impossible, and Mexico again began to depend on the United States as a market for her expropriated oil and other strategic materials. In addition Mexico relied on exports of silver to America which had continued on a day-to-day basis since March, 1938, when the Mexican silver purchase agreement had been suspended due to the oil expropriation.¹

As the Battle of France hastened to its inexorable conclusion, Mexico and the United States agreed to hold military staff discussions in an effort to derive the formula for effective collaboration in the gigantic task of hemispheric defense. On June 11, 1940, prior to the opening of technical military consultations, United States Army and Navy

¹Arthur P. Whitaker, ed., Inter-American Affairs, 1941 (New York: Columbia University Press, 1942), p. 67.

staff personnel were advised of Mexico's position by Ambassador Castillo Nájera. Mexico was aware of the serious threat to hemispheric security, the Ambassador declared, and "was prepared unreservedly to collaborate with the United States in the development of plans for the common defense." As part of its contribution, his Government, he suggested, was ready to develop military bases "at places to be chosen strategically, not only from the purely national point of view but from the broader point of view of hemispheric defense." He concluded his remarks by indicating that this military cooperation must have as its basis the settlement of the outstanding political and economic problems plaguing the relations between the two countries.² A great deal of valuable discussion took place at the staff meetings, but no final agreements were reached because of the inability to solve the petroleum controversy and because Mexico did not wish to assume new obligations before President-Elect Avila Camacho took office on December 1, 1940. The technical conversations were thus suspended in late July, 1940.

Less than three weeks after his inauguration President Camacho indicated his intention to actively cooperate with the United States in the defense of the Hemisphere as well as in other areas where joint collaboration was possible. Military staff discussions between the United States and Mexico were begun on February 17, 1941, for the specific purpose of reaching agreement on the formation of a Joint Mexican-United States Defense Board. Throughout 1941 cooperation between the two countries intensified as President Camacho adopted a more anti-Nazi posture. In explaining Mexico's actions one Government spokesman stated: "the place

²Stetson Conn and Byron Fairchild, United States Army in World War II: The Framework of Hemispheric Defense (Washington: United States Government Printing Office, 1960), p. 334.

of the United States and Mexico is shoulder to shoulder against any Nazi-Fascist threat and we ought to make it clear to the world as soon as possible."³

In his first major move against the Axis, President Camacho, on April 2, 1941, ordered the seizure of twelve German and Italian ships moored in the Mexican ports of Tampico and Veracruz. The action was described as demonstrating Mexican collaboration with the United States in continental defense and hemispheric solidarity. On one of the ships, the 9,600-ton liner, Orinoco, the German crew resisted the Mexican boarding party while an unsuccessful attempt was made to scuttle the ship. Demands made by the German and Italian Governments calling for immediate release of the seized ships were promptly rejected by President Camacho.

Six days following the seizure the Mexican President announced that the twelve ships were being expropriated and that his Government would not honor any requests for compensation until after the war in Europe had ended. He ordered the ships placed in service immediately, explaining that Mexico desperately needed a merchant marine since the war had swept away the shipping facilities on which his country's commerce normally depended. According to Camacho, Mexico, which relied quite heavily on maritime facilities to move its goods, was being seriously crippled by the European conflict.

The Axis Powers were disturbed by the seizure of their ships and became quite concerned that the Mexican action might serve as an example to other Latin American countries. Italy however had a ready means of reprisal at her disposal. During 1939 and 1940 Mexico had supplied large quantities of petroleum to Germany and Italy in exchange for industrial

³The New York Times, January 19, 1941.

products. The latter promised to deliver two new tank ships in exchange for the oil. The tank ships were nearing completion in late April, 1941, when they were seized by the Italian Government as a reprisal for the confiscation of its merchant ships by Mexico.

The Mexican seizure of Axis ships and the resulting Italian reprisal severely strained the already cool relations between the countries concerned. At the time of the Mexican expropriation it was generally believed in Mexico that the rupture of diplomatic relations was imminent, and although the final break did not occur until December, 1941, relations were conducted in an atmosphere of increasing hostility. In May 1941, it was announced by the Mexican Government that its Minister in Germany, General Juan F. Ascarate, who had traveled to his country ostensibly for a brief visit, would not return to Germany, leaving Mexican representation there in the hands of a chargé d'affaires.⁴ During the month of August President Camacho closed all German consulates in Mexico and ordered home all Mexican consuls in Germany in retaliation for the closure of Mexican consulates in the German-occupied countries in Europe. These actions of course aligned Mexico even more closely with the United States, leaving only the petroleum and land compensation problems standing in the way of total political, economic and military cooperation.

Throughout 1940 several proposals were exchanged between the two countries in an effort to solve the complex claims issues, but a solution satisfactory to both sides remained unattainable. Within the United States Government there was a difference of opinion as to the desirability of rapidly reaching an accommodation. Ambassador Daniels argued that in the event of war Mexican oil and other raw materials would be vital for

⁴The New York Times, May 4, 1941.

both national and hemispheric defense, and, therefore, the outstanding problems should be quickly settled, even if this meant sacrificing the rights of the expropriated American oil companies. Herbert Feis, the State Department Economic Adviser, felt that the United States could reach a much more advantageous settlement if no action were taken until Mexico was in such need of foreign capital that she would be forced to acquiesce to the oil companies' claims. Feis along with Max W. Thornburg, the Department's Petroleum Adviser, expressed the view that any agreement considered favorable to Mexico would set a dangerous precedent with respect to other nations.⁵

Perhaps the most naive proposal for reaching the evasive solution was offered by Senator William Gibbs McAdoo (D., Cal.). He suggested that the United States give Mexico \$150,000,000, which the latter would use to compensate for the expropriated oil properties, provided that Mexico cede to the United States Lower California. This totally unrealistic idea was completely rejected by Under Secretary of State Sumner Welles who felt that its proposal by Washington would create deep resentment in Mexico and possibly place an obstacle in the path of reaching an acceptable accommodation.⁶

The rudiments of what were to be the basis for the final settlement were first set out on February 17, 1941, in a memorandum from Ambassador Nájera to Secretary Hull. In addition to proposing a solution to the petroleum controversy, the Mexican note covered several issues, among them general and agrarian claims, the dividing of water from the Río Grande and Colorado Rivers, and the principles of banking, commercial, and

⁵Bryce Wood, The Making of the Good Neighbor Policy (New York: Columbia University Press, 1961), p. 249.

⁶Ibid., p. 294.

financial cooperation which would favor the development of the Mexican economy.⁷

The Mexican Ambassador again stressed that his country did not "cherish the slightest desire of failure to pay the expropriated petroleum companies an acceptable and just compensation."⁸ He proposed that if the Mexican Embassy in Washington and the State Department should reach a solution which the oil companies refused to accept, then the American Government would agree to desist from any future representations on behalf of the companies, leaving them to settle directly with the Mexican Government. Castillo Nájera insisted that Mexico was as anxious as the United States to settle the claims problem, since without full economic collaboration between the two countries the Mexican economy became sluggish, rendering it impossible to construct the necessary military facilities and procure the armament required for national and hemispheric defense. "In view of the European tragedy and the abuse of power by the totalitarian countries," the Ambassador concluded, "the Mexican people... not only perceives with genuine sympathy the continental objectives which will be imposed upon its efforts in the future, but it also feels, in an extraordinarily positive way, the advisability of a joint action in defense of Democracy with the other American republics and in particular with the United States of America."⁹

Basically, the proposals outlined in the Mexican Ambassador's memorandum were acceptable to the Roosevelt Administration; however, two

⁷Foreign Relations of the United States, 1941, Mexican Ambassador to Secretary of State, February 17, 1941, Vol. 7, pp. 371-372.

⁸Ibid., p. 373.

⁹Ibid., p. 376.

obstacles stood in the path of a final agreement. The first and by far the more serious concerned the exact formula for fixing the amount of compensation due the expropriated companies. The second problem area dealt with a demand by Mexico that the United States give assurances that in the event of subsequent expropriation it would not extend its protection to American investors who in the future acquire farm land in Mexico. The United States did agree to the amount of compensation proposed by Najera to be paid by Mexico for agrarian claims and those arising out of the General Claims Convention of 1923. The Roosevelt Administration was also willing to open discussions on providing credit for the purpose of stabilizing the Mexican peso and constructing highways in Mexico, and to renegotiate the Silver Purchase Agreement which had been suspended following the oil expropriation.¹⁰ The United States felt that negotiations on the waters of the Río Grande and Colorado Rivers and a reciprocal trade agreement should wait until the oil controversy was settled.

Following a lengthy conversation on July 14, 1941, between the Mexican Ambassador in Washington and officials of the State Department's Division of American Republics Affairs, the Mexican Embassy, on July 22, addressed a memorandum to the Department of State which contained proposals on which both Governments were finally able to agree in settling the petroleum controversy. Mexico was in favor of setting up a Mexican-American Commission consisting of one expert from each country to fix the amount of compensation to be paid to the expropriated companies, but was unalterably opposed to designating a third party to act as umpire in the event that the experts could not agree. She preferred to iron out any differences by direct diplomatic means. Mexico also insisted that the

¹⁰ Foreign Relations of the United States, 1941, Secretary of State to American Ambassador in Mexico, April 27, 1941, Vol. 7, pp. 383-384.

agreement laying to rest the oil problem be signed simultaneously with the arrangements settling the agrarian claims and those providing credits for monetary stabilization and highway construction.¹¹

By August the two Governments had reached a tentative agreement on a solution to the petroleum issue. Secretary Hull then embarked on the task of gaining the assent of the oil companies to the proposed accommodations, something he hoped would be possible prior to the official settlement. On September 27, he met in his office with the representatives of the American oil companies and laid the tentative agreement before them. The Secretary reviewed events in Europe and Axis activities in Mexico, and stressed the cooperation already received from President Camacho in restricting supplies of strategic materials to Japan. In reviewing the world crisis and the inherent dangers it presented to the United States, Hull indicated those areas where Mexican assistance would be most beneficial and urged the oil companies to accept the proposed settlement.¹² The petroleum representatives completely rejected the planned agreement since they felt that by accepting it they would recognize the legality of the Mexican expropriation. They asserted that the solution in effect denied the principle of property rights, and they preferred to see the issues unsettled, even if it meant losing everything rather than agree to sacrifice the property rights principle.¹³

Following the tentative accommodation to the oil problem there remained only one other area where agreement between the two Governments

¹¹Foreign Relations of the United States, 1941, Mexican Embassy in Washington to Department of State, July 22, 1941, Vol. 7, pp. 384-387.

¹²The Memoirs of Cordell Hull, Vol. 2, (New York: The Macmillan Company, 1948), p. 1141.

¹³Ibid.

proved difficult. In a memorandum to the State Department dated October 6, 1941, the Mexican Government expressed its concern that in the near future "lands which now belong to Mexican owners or to foreigners of nationality other than American, may pass, by real or fictitious sales, into the possession of United States nationals, in an attempt thus to seek the protection of the Washington Government and bring up a problem similar to the one we are now trying to settle."¹⁴ Mexico, therefore, wished the United States Government to renounce its right of diplomatic protection in the event of expropriation of farm land acquired by American nationals subsequent to the date of the final claims agreement. Mexico, at first, insisted that this renunciation be part of the claims convention, but later agreed that it could be carried out by an exchange of notes.

Herbert S. Bursley of the Division of American Republics Affairs, in a conversation with Dr. Roberto Cordova, the Legal Counselor of the Mexican Embassy, explained on the same day that the Mexican memorandum was presented to the State Department that it was impossible for the United States to give such assurances unless Mexico found it practical to meet a similar request from the United States that there be no further expropriation of American property without the payment of prompt compensation.¹⁵ Bursley reported that Dr. Cordova tried to appear very surprised by the American reply, but both he and a representative of the State Department Legal Adviser, who also took part in the conversation, felt that the Mexican was not at all surprised. Dr. Cordova stated that the renunciation was considered very important by his Government which viewed it as a sine qua non to the signing of the claims convention. Bursley

¹⁴ Foreign Relations of the United States, 1941, Mexican Embassy in Washington to Department of State, October 6, 1941, Vol. 7, p. 389.

¹⁵ Foreign Relations of the United States, 1941, Memorandum of Conversation, October 6, 1941, Vol. 7, p. 387.

felt that Dr. Córdova's statement was not to be taken at face value and that the desired financial arrangements contemplated in the overall package agreement, so badly needed by Mexico, would require President Camacho to relinquish this demand.¹⁶ The latter evaluation proved correct, and when the convention was finally signed there was no mention of the renunciation.

Secretary Hull again met with the oil company representatives in October in an effort to win their approval of the tentative petroleum settlement, but his efforts were in vain. During the previous month President Camacho had publicly announced that the final accommodation with the United States would take place in the very near future, and as Hull postponed the signing of the agreement while he attempted to negotiate with the oil companies the Mexican Government was experiencing increasing domestic pressure. The Mexican economy was in a state of stagnation and desperately needed foreign capital which would be forthcoming from the only available source, the United States, only after the claims controversies had been settled.

In late October Ambassador Josephus Daniels informed President Roosevelt that his Good Neighbor Policy was at stake in Mexico and urged immediate action in laying to rest the outstanding issues. "If the matter drags on," he counselled Roosevelt, "Mexico will think that pressure is being put on them that is akin to intervention. Unless the oil matter is settled now (and if we wait for the oil companies to agree to confer, it will hang on indefinitely) Mexico and Pan America will lose faith in the

¹⁶Foreign Relations of the United States, 1941, Memorandum of Conversation, October 6, 1941, Vol. 7, p. 387.

Good Neighbor Policy."¹⁷

The President and Secretary of State had just about decided that Daniels' view was correct. Hull, however, made one last attempt to secure the concurrence of the oil companies. He met for the third time with their representatives on November 13, 1941, and when they absolutely refused to accept the Administration's viewpoint, Roosevelt and Hull decided to sign the final agreement in spite of the oil companies' opposition.¹⁸ If the companies were unwilling to accept the Administration's settlement, they would be forced to bargain directly with the Mexican Government where an even less favorable solution was a certainty. The worsening world situation made further delay unwise. The negotiations with Japan were proving unfruitful, and in Washington's eyes the United States interest in hemispheric solidarity far outweighed the financial interests of the expropriated companies.

The comprehensive agreement between the United States and Mexico was signed in Washington on November 19, 1941, thus solving the serious problems that heretofore had impeded the total cooperation which was considered essential in the approaching global conflict. The accommodation covered six principal areas: 1) agrarian claims, 2) compensation for the oil expropriations, 3) a reciprocal-trade agreement, 4) credit for stabilization of the Mexican peso, 5) a silver purchase agreement, and 6) credit for Mexican highway construction.¹⁹

In settling the agrarian claims issue, Mexico agreed to pay

¹⁷ Josephus Daniels, Shirt-Sleeve Diplomat (Chapel Hill: The University of North Carolina Press, 1947), p. 267.

¹⁸ William L. Langer and S. Everett Gleason, The Undeclared War 1940-1941 (New York: Harper and Brothers Publisher, 1953), p. 609.

¹⁹ U. S., Department of State Bulletin Vol. 5, No. 126, (Washington, November 22, 1941), pp. 399-403.

\$40 million in United States currency for all those claims pending from the General Claims Convention of 1923, all agrarian claims based on expropriation or damage suffered between August 30, 1927, and October 7, 1940, including those covered by the claims convention of November, 1938, and "all other claims of nationals of either country, which arose subsequent to January 1, 1927, and prior to October 7, 1940, and involving international responsibility of either Government toward the other Government as a consequence of damages to, or loss or destruction of, or wrongful interference with the property of the nationals of either country."²⁰

Under the terms of the claims convention Mexico was credited with \$3 million she had paid under the November, 1938 agreement. An additional \$3 million was deposited on ratification of the convention and Mexico paid \$2.5 million annually until the debt was liquidated.²¹ By an exchange of notes on the day the agreement was signed, it was understood by both Governments that any claims arising in connection with oil property rights were in no way affected by the claims convention.²²

The perplexing oil controversy which had defied solution since March, 1938, was settled by an exchange of notes between Secretary Hull and Ambassador Nájera. Each Government agreed within thirty days to appoint an expert to closely examine all aspects of the problem. The two experts would work in close consultation and at the end of five months would file a joint report indicating the amount of compensation to be

²⁰U. S., Treaties, Treaty Series No. 980, "Convention between the United States of America and Mexico," November 19, 1941, (Washington, 1942).

²¹Ibid.

²²Foreign Relations of the United States, 1941, Secretary of State to Mexican Ambassador in Washington, November 19, 1941, Vol. 7, p. 396.

paid. It was agreed that this joint report would be unappealable by either party. If the experts could not agree at the expiration of the specified five month period, the two Governments would fix the exact amount through "diplomatic negotiation." On the date of the exchange of notes Mexico deposited with the United States Government \$9 million in partial payment for the expropriation. In the event the experts did not agree and after an additional five months of diplomatic negotiations the Governments could not agree on the amount of compensation to be paid, the Mexican deposit was to be returned, and the petroleum agreement would be without effect.²³

The United States designated as its expert Morris Llewellyn Cooke, who was described as "an able, distinguished, and just economist and expert known as Uncle Sam's Number One Trouble Shooter."²⁴ The Mexican expert, Manuel J. Zevada, was considered equally qualified. After intensive study of the entire issue the two submitted their report on April 17, 1942, which fixed the total amount of compensation at \$29,137,700.84. (\$23,995,991.00 plus interest at three percent per annum).²⁵ The following year Mexico agreed to make annual payments of slightly over \$4 million until the obligation was liquidated in 1947. This amount was far short of what the oil companies claimed as adequate and just compensation, but they had no alternative because the United States Government had already decided that Mexican cooperation during the war was more important than just compensation.

²³U. S., Department of State, Executive Agreement Series No. 234 (Washington, 1942), pp. 4-7.

²⁴Daniels, Shirt-Sleeve Diplomat, p. 267.

²⁵U. S., Department of State, Executive Agreement Series No. 419 (Washington, 1945), p. 1.

The November, 1941 settlement also contained an agreement to begin negotiations on a reciprocal-trade pact. Prior action in this area had been postponed pending the solution of the oil expropriation problem. The Mexican economy badly needed an agreement with the United States to check its adverse trade balance which amounted to about \$37 million in 1941.

Coupled with the agrarian claims and petroleum settlements were two agreements signed by Secretary of the Treasury Henry Morgenthau and Mexican Finance Secretary Eduardo Suárez. The Treasury promised to provide \$40 million to support the Mexican peso at a level of 4.85 pesos per dollar and agreed to purchase monthly six million ounces of Mexican silver under the Silver Purchase Agreement, which had been suspended in 1938 following the oil seizures. The silver would be bought at a rate of thirty-five cents per ounce, a price slightly higher than the world level.²⁶

In the final agreement of the comprehensive settlement the Export-Import Bank granted a \$30 million credit spread over a three-year period for Mexican road building. Part of the money was used to finance construction of the Pan American Highway from Mexico City to Guatemala.²⁷ In addition the Export-Import Bank indicated its willingness "to consider sympathetically other requests for credit for development in Mexico," whether they were "to be executed by the Mexican Government or any private enterprise guaranteed by that Government or one of its official agencies."²⁸

²⁶The New York Times, November 20, 1941.

²⁷Ibid.

²⁸Department of State Bulletin, November 22, 1941, p. 401.

As expected, reaction to the settlement within Government circles in both countries was extremely laudatory. Secretary Hull stated that the agreements "mark a new milestone of great importance in the cause of increasingly closer collaboration and solidarity between the countries of the New World."²⁹ President Roosevelt added that the accord between the two countries established "for future generations an anniversary to be proudly celebrated."³⁰ In a telegram to his American counterpart President Camacho said he had "an intimate conviction" that the agreement signed would be "of real benefit to the two countries," and that it would "mark a point of departure, within the work of continental solidarity which our Governments are pursuing, for a fuller understanding between Mexico and the United States."³¹ Foreign Minister Padilla was overflowing in his praise of the accommodation as he addressed the Mexican Senate. The agreements, according to Padilla, indicated a definite change in United States foreign policy and were "a clean sweep of the irritation and barriers that had lasted for several decades" and "one of the most eloquent demonstrations of the spirit of the new decades."³²

The Mexican press reacted most enthusiastically to the signing of the Washington agreements. The newspapers in Mexico City generally regarded the settlement as a diplomatic victory for the Camacho Administration since the American Government had accepted terms that the oil

²⁹Department of State Bulletin, November 22, 1941, p. 399.

³⁰The New York Times, November 29, 1941.

³¹Foreign Relations of the United States, 1941, President of Mexico to President of United States, November 22, 1941, Vol. 7, p. 398.

³²Conn and Fairchild, United States Army in World War II: The Framework of Hemispheric Defense, p. 337.

companies had repeatedly rejected.³³

The oil companies considered the settlement to be very unjust and were outspoken in their criticism of the American Government. The president of Standard Oil Company of New Jersey, W. S. Farish, whose company was the largest American enterprise affected by the Mexican action, rejected the agreement on the grounds that it validated the confiscation and bound the companies to "accept a speculative promise in exchange for their tangible properties."³⁴ Another oil executive noted that by giving large sums of money to Mexico, the American Government was underwriting the cost of the expropriations and thereby rewarding the Mexican Government for an action that the State Department had previously condemned. The companies also considered the settlement unjust since it was not linked with a settlement for the British and Dutch companies which were expropriated at the same time as the American companies. The Americans feared the possibility that at a later date, after they had already lost title to their properties, the British and Dutch might get their property back, perhaps even at the invitation of the Mexican Government. The idea that the accord was unjust was rejected by Ambassador Daniels who remarked: "Certainly the United States would not sponsor anything but a just settlement," but he did not provide facts to sustain his judgment.³⁵

Following the settlement Secretary Hull communicated to Mr. Farish his regrets that the American companies saw fit not to agree with the Department in pressing for an immediate solution to the petroleum dispute. He stressed that the agreement provided for an examination by the experts

³³Foreign Relations of the United States, 1941, United States Charge in Mexico to Secretary of State, November 21, 1941, Vol. 7, p.397.

³⁴The New York Times, November 22, 1941.

³⁵The New York Times, November 19, 1941.

of records and data held by the companies and requested their cooperation in this matter.³⁶ Farish, realizing that in reality he had very little choice, indicated that the requested cooperation would be forthcoming and added that he was hopeful the United States expert would be instructed to "adhere to the established principles of international law so clearly set forth by your Department as applicable to this controversy."³⁷

The American press examined the agreement in a far more critical manner than did its counterpart in Mexico. The general feeling seemed to be that the United States, considering itself in need of hemispheric solidarity far more than Mexico, paid an unreasonably high price. One editorial pointed out that Mexico by cleverly utilizing the oil compensation problem had extracted concessions from a country that was her creditor. The writer advised that friendship "purchased at a high price is scarcely the most secure foundation for international relations."³⁸ It was also emphasized that the stabilization loans, although not specifically intended to be used for payment to the oil companies, would in effect have the same result since they would release other funds for compensation purposes.³⁹

President Roosevelt was also attacked from many sides for allowing Mexico to completely ignore the Bucareli Agreement of 1923 which stated that subsoil petroleum deposits were legally owned by the oil companies. Although the experts were to determine the amount of compensation to be

³⁶ Foreign Relations of the United States, 1941, Secretary of State to President of the Standard Oil Company of New Jersey, December 6, 1941, Vol. 7, p. 400.

³⁷ Ibid., President of the Standard Oil Company of New Jersey to Secretary of State, December 29, 1941, p. 401.

³⁸ The New York Times, editorial, November 20, 1941.

³⁹ Ibid., news article by James B. Reston, September 3, 1941.

paid to United States nationals "whose properties, rights, or interests in the petroleum industry" in Mexico had been adversely affected by the expropriations of 1938, the settlement agreed to by the experts clearly rejected underground petroleum rights.⁴⁰ These rights, according to one distinguished writer, "had been placed on the sacrificial altar of the Good Neighbor Policy."⁴¹ The American Ambassador in Mexico at the time of the agreement gave some credence to this viewpoint when he later remarked, "I think I can surely say that the only yardstick by which I measured every problem which arose in the nearly nine years I was Ambassador to Mexico was, 'Will it promote the Good Neighbor Goal?'"⁴²

Scarcely had the ink dried on the historic agreement than Japanese aircraft carried out their surprise attack on Pearl Harbor. Secretary Hull had said on November 19, that the accommodation was a great milestone in the quest for hemispheric solidarity. Undoubtedly this was true but of even greater importance was its effect on bilateral relations between the two countries. All major differences that had previously existed were wiped away, setting the stage for the cooperation that took place during the titanic world war.

Feelings of surprise and outrage filtered through the Mexican capital on December 7, 1941, when news was received of the attack on Hawaii. On that very day the Mexican Government in asserting its total support of the United States issued the following statement:

Our past is the best guarantee of our future. Associated

⁴⁰U. S., Department of State, Executive Agreement Series No. 234 (Washington, 1941), p. 4.

⁴¹J. Lloyd Mechem, A Survey of United States-Latin American Relations (Boston: Houghton Mifflin Company, 1965), p. 370.

⁴²Daniels, Shirt-Sleeve Diplomat, p. ii.

with the United States in the common defense of democracy and of the destiny of America, we will omit of no effort, by all possible means, to establish our spirit of solidarity and of close friendship. In this hour, of the greatest importance, the Government is convinced that the opinion which it expresses is that of all Mexicans and it has the absolute certainty that, irrespective of the results, the nation will carry out unanimously a decision which is in full accord with the continuity of its tradition and with the dignity of our future.⁴³

Mexico City's major newspapers completely endorsed the action of their President in affirming his support of the United States. El Nacional, El Universal, and La Prensa all denounced Japan's treacherous and unprovoked attack and urged unified hemispheric action. La Prensa stated that the war against Japan

is precisely Mexico's war, as it is the whole continent's war. Our stand is unquestionable, clearly commanded by conscience and unqualified. Our place, in history as in geography, is with the neighbor who was at our side during our War of Independence and during our war with the French invader.⁴⁴

The day following the bombing of Pearl Harbor Mexican Foreign Minister Padilla, citing the Declaration of Havana in which all the American Republics agreed to consider an attack against one of them by a non-American state to be an attack against all, declared that the maintenance of diplomatic relations with Japan would be incompatible with the intent and spirit of the 1940 Havana Convention.⁴⁵ The formal break in relations between Mexico and Japan occurred on December 9.

Former President Lázaro Cárdenas also warmly endorsed the stand

⁴³U. S., Department of State Bulletin Vol. 5, No. 129, (Washington, December 13, 1941), p. 497.

⁴⁴Conn and Fairchild, United States Army in World War II: The Framework of Hemispheric Defense, p. 340.

⁴⁵Department of State Bulletin, December 13, 1941, p. 497.

taken by his successor and without delay placed himself at the disposition of President Camacho who quickly accepted the offer, naming General Cárdenas Commander-in-Chief of all Mexican Pacific Coast forces. Mexican gunboats were ordered moved from the Gulf of Mexico via the Panama Canal to the Pacific area to guard against possible landings of Japanese forces. The State Department announced on December 9 that Mexico was moving "a considerable body of troops" to Lower California to provide for the defense of that crucial area. Part of the transit would take place over United States territory as the troops passed from Nogales, Arizona, to Tijuana via San Diego. The American Government viewed the Mexican action as a striking example of hemispheric cooperation and welcomed "this opportunity of facilitating the journey of the troops of the sister republic and of extending to them every courtesy and assistance."⁴⁶

In severing relations with both Germany and Italy on December 11, Mexico again made reference to her obligation under the Declaration of Havana. The action of the Axis Powers in declaring war on the United States obligated Mexico to act. On receiving word of the break between Mexico and the Axis, Secretary Hull wired Foreign Minister Padilla "to express the pride of my countrymen in their good friend and neighbor, Mexico, whose prompt and decisive steps in the face of wanton aggression are of transcendental importance to the future of our hemisphere."⁴⁷ In late December, following their declaration of war against the United States, Mexico closed her legations in Bulgaria and Hungary. Rumania joined with the latter two countries in their declaration of war, but Mexico could take no action against Rumania since she had no diplomatic

⁴⁶Department of State Bulletin, December 13, 1941, p. 484.

⁴⁷U. S., Department of State Bulletin Vol. 5, No. 130, (Washington, December 20, 1941), p. 548.

relations with her.⁴⁸ In explaining why it merely severed relations rather than declaring war against these countries, the Mexican Government pointed out that the latter course would have increased the danger of an attack on Mexico's Pacific Coast which the United States would have had to prevent by diverting large numbers of forces from other strategically important areas. The Mexican Government indicated that the Roosevelt Administration fully supported its action.

On December 24, the Mexican Senate unanimously passed a bill submitted by President Camacho which opened Mexican ports and airfields to the forces of the United States and any other American Republic at war with a non-American country.⁴⁹ Thus, as the year 1941 drew to a close and the two-year old European war spread to the Americas and the Pacific, the United States and her southern neighbor were initiating an era of significant wartime cooperation. At the time of the petroleum settlement and the other financial agreements, many people in the United States felt that President Roosevelt had paid too high a price for Mexican friendship. They argued that the Mexican economy was in a woeful situation, and that if the United States would just hold out for a while longer Mexico would agree to a solution, but on American terms.

Quite naturally the oil companies were very upset by the November 19 agreement. They felt that one of their basic rights had been abrogated, and indeed it had been. To add insult to injury their own Government had provided the funds to the expropriators with which to pay the compensation.

Few people realized when the agreements were signed that World War II

⁴⁸The New York Times, December 24, 1941.

⁴⁹Ibid., December 25, 1941.

was less than three weeks away. Nor did they realize the tremendous potential for cooperation in the great task of hemispheric defense that existed between the two neighbors once their mutual problems were solved. Almost immediately after the solution was reached, the United States began to reap unexpected benefits as Mexico opened its defense facilities for American use. From the viewpoint of the oil companies and their supporters the agreements were a catastrophe, but from the viewpoint of American and hemispheric defense they were an exceptionally good bargain.

CHAPTER III

MILITARY COOPERATION

It was the most appalling situation America had faced since the preservation of the Union had been assured....Anything might happen. Even strikes on Puget Sound, San Francisco or the Panama Canal were not beyond the range of possibility.¹

Thus wrote the official historian of the United States Navy regarding the situation following the Japanese attack on Pearl Harbor. Grave concern was immediately felt throughout the United States as civilian and military officials across the land prepared for the defense of Fortress America. A major part of the Pacific Fleet lay in ruin in Hawaii, and many people in the United States, although not aware of the full extent of the damages suffered by American naval forces, feared that the Imperial Japanese Navy would next strike at the mainland.

Several years later it would be pointed out by numerous historians that the threat of an attack on the American continent was far less than anticipated during the year following Pearl Harbor. This may be true, but the important thing is that those in authority in the United States at the time believed an assault was imminent. As C. V. Wedgwood has postulated, in writing history "we know the end before we consider the beginning, and we can never wholly recapture what it was to know the beginning only."²

¹Samuel Eliot Morison, History of United States Naval Operations in World War II: The Rising Sun in the Pacific (Boston: Little, Brown and Company, 1955), pp. 209, 219.

²Quoted in, Dean Acheson, Present at the Creation (New York: W. W. Norton and Company, 1969), p. 725.

As noted earlier, military staff discussions between the United States and Mexico had begun in February, 1941, for the announced purpose of reaching agreement on the formation of a Joint Mexican-United States Defense Board. The establishment of the Defense Board proved to be an unreachable goal due, in part, to lack of support for the project from the State Department which believed that the petroleum controversy should be settled before final arrangements were made for the Defense Commission. This being the case, the staff discussions, which lasted until December 3, 1941, covered two principal topics: United States acquisition of naval bases in Mexico, and the right of United States aircraft enroute to the Panama Canal to use Mexican airfields.³

Throughout the negotiations concerning acquisition of naval bases in Mexico, Secretary of the Navy Frank Knox, with strong support from President Roosevelt, insisted on a long-term lease and extensive United States jurisdiction in the base areas as had been granted in the British-United States agreement of September, 1940. The Navy was particularly interested in acquiring bases at Magdalena Bay and Acapulco. The Mexican Government and the Mexican people were adamant against the United States acquiring sovereignty over any bases constructed in their country. During the initial discussions there was a public outcry, particularly from the Mexican Left, against the leasing of bases to the American Navy. President Camacho assured his people that Mexico "has not ceded and shall never cede to any foreign power, transitory possession of any part of its territory for the establishment of naval bases, airfields, or for any other military purposes."⁴

³ Stetson Conn and Byron Fairchild, United States Army in World War II: The Framework of Hemispheric Defense (Washington: United States Government Printing Office, 1960), p. 338.

⁴ Excelsior, June 1, 1941.

The Mexican Government was willing to consult with interested American Governments concerning the sites of future naval bases which were to be constructed by Mexican engineers and laborers, and financed by those Governments planning to use them in proportion to their ability to pay. There would be absolutely no question of the slightest diminution of Mexican sovereignty over the bases.⁵

Secretary Knox advised Secretary of State Hull in May, 1941, that due to the critical situation developing in Europe, which could ultimately threaten the United States, the Navy Department was willing to have the Department of State arrange for Mexican-United States joint use of bases in Mexico, leaving the question of long-term leases for future settlement. Toward the end of July the Mexican Ambassador in Washington informed the State Department that Mexico would agree to construct the naval facilities desired by the United States if the American Government would provide the capital and if Mexico would retain complete sovereignty over the bases. United States naval vessels could use the bases for no more than one week at a time. This offer was described by Ambassador Castillo Nájera as "the utmost concession possible within the framework of Mexican sovereignty and national dignity."⁶ Secretary Knox considered the proposal as offering port facilities and not bases, and strongly backed the State Department in rejecting the Mexican plan.

No further progress was made on the use of Mexican ports until after Pearl Harbor, when, on December 24, 1941, the Mexican Senate unanimously passed a bill submitted by President Camacho authorizing the use of

⁵William L. Langer and S. Everett Gleason, The Undeclared War, 1940-1941 (New York: Harper and Brothers, 1953), p. 158.

⁶Quoted in, Langer and Gleason, The Undeclared War, 1940-1941, p. 605.

Mexican ports by all naval vessels of any American country at war with a non-American power.

The most important result of the military discussions was the signing of a reciprocal air-transit agreement on April 1, 1941. The subject was first raised by American representatives at a staff meeting on March 11, and less than three weeks later Mexico and the United States agreed to "grant free transit through their respective territories and territorial waters of military airplanes and seaplanes of the other country, without restriction as to type, number, frequency of flights, personnel or material carried."⁷

This agreement which facilitated the rapid movement of military men and supplies, as dictated by the requirements for hemispheric defense, was to remain in effect "only for the duration of the present state of possible threat of armed aggression."⁸ The pact provided that a twenty-four hour notification be given to the transited country and that only previously designated airfields could be used by the transitting aircraft. The entire period of transit was not to exceed twenty-four hours, and it was expressly stated that either contracting party could at any time unilaterally terminate the agreement.⁹

As Hitler's war aims became more clear and Axis influence in Latin America grew in an alarming manner, an increased concern for the defense of the Panama Canal was evidenced in the United States. Prior to the flight agreement only two planes per week were permitted the use of

⁷U. S. Treaties, Treaty Series 971, "Transit of Military Aircraft Agreement Between the United States of America and Mexico" (Washington, 1941), p. 2.

⁸Ibid.

⁹Ibid., p. 3.

Mexican airfields and these planes were limited to five passengers each.¹⁰ Other aircraft with limited fuel capacities wishing to reach the Canal from the United States had to take a much longer sea route via Guantanamo, Cuba, or Jamaica. Now military aircraft could more quickly reinforce the Canal defense by transitting Mexico in unlimited numbers utilizing her airfields for repairs and refueling.

In a letter to Secretary of War Henry L. Stimson, Secretary Hull stressed the great importance attached to the agreement by the State Department as a step forward in the development of friendship between the two countries and as an important contribution to hemispheric defense. He reminded the War Department of the serious internal problem that would confront the Camacho regime if any of the rights conferred by the agreement were abused, and further recommended "most strongly" that the Department of Defense should take care to prevent any untoward incidents arising from the use of the facilities granted by the Mexican Government. Hull also suggested that it might be advisable to arrange for a Mexican aircraft to make the first flight under the agreement into the United States in order to demonstrate to the Mexican public the reciprocal nature of the pact.¹¹

The primary transit route for American planes enroute to the Canal was via Tampico, Veracruz and Tapachula. The original requirement for a twenty-four hour notification was very indirect and cumbersome as the message traveled through prescribed channels from the United States Army Adjutant General's Office to the Mexican Embassy in Washington, thence to the Ministry of Foreign Affairs in Mexico City and finally to the

¹⁰The New York Times, April 2, 1941.

¹¹Foreign Relations of the United States, 1941, Secretary of State to Secretary of War, April 7, 1941, Vol. 7, pp. 403-409.

appropriate Mexican military commander. It was not until 1944 that this procedure was simplified by requiring only that the pilot of the aircraft notify the nearest Mexican airfield by radio after his take-off from the United States. Despite the rather burdensome requirements of the original pact, the knowledge that American planes could freely and safely transit to the Panama Canal was a source of satisfaction to United States military commanders in those crucial and perilous days following Pearl Harbor when enemy action against the Canal was a real possibility.¹²

Once the overall accommodation of November 19, 1941, had laid to rest the outstanding problems between Mexico and the United States, and the Japanese had provided their great impetus for cooperation on December 7, 1941, the formation of the Joint Mexican-United States Defense Board was an easy task. On December 18, officers from the War and Navy Departments recommended to the State Department Political Adviser, Laurence Duggan, that the subject of a Joint Defense Board again be raised with the Mexican Government. The officers felt that discussions with the Mexican Military Attachés had proven to be unsatisfactory since the Mexicans had to refer even minor matters to Mexico City for resolution, and the Americans hoped that if a Joint Board could be formed the Mexican representation would be empowered to make all but the most critical decisions.¹³ By the end of the month the War and Navy Departments had been informed by the State Department that Under Secretary Sumner Welles and Mexican Ambassador Castillo Nájera had agreed the Defense Commission

¹²Conn and Fairchild, United States Army in World War II: The Framework of Hemispheric Defense, p. 351.

¹³Memorandum by Adviser on Political Relations, Laurence Duggan, December 18, 1941, Department of State Records, National Archives, Record Group 59. Hereafter referred to as State Department Records, NA, RG59.

should be formed immediately and that the Ambassador was consulting with his Government before proceeding further.

President Camacho, anxious to increase the collaboration of his country with the United States, indicated his approval of the Defense Board. On January 12, 1942, the State Department announced that the two Governments had found it expedient to establish a Joint Defense Commission whose purpose, as stated in Executive Order 9080, was:

to study problems relating to the common defense of the United States and Mexico, to consider broad plans for the defense of Mexico and adjacent areas of the United States, and to propose to the respective Governments the cooperative measures which, in its opinion, should be adopted.¹⁴

The original Mexican members of the Board were Brigadier General Miguel S. Gonzalez Cadena and Brigadier General Tomas Sanchez Hernandez.¹⁵ General Gonzalez Cadena served only until June 1, 1942, when he was replaced as senior Mexican representative by Ambassador Castillo Nájera who held the military rank of Major General.¹⁶ The United States was represented by Lieutenant General Stanley D. Embick, a delegate on the Inter-American Defense Board and a member of the Joint Canadian-United States Defense Commission, and Vice Admiral Alfred W. Johnson, also a delegate on the Inter-American Defense Board, who in 1939 had planned the neutrality patrol--the United States first effort at hemispheric defense.¹⁷

¹⁴Federal Register, Vol. 7, No. 42 (March 3, 1942), p. 1607.

¹⁵Memorandum, Division of American Republics, Laurence Duggan, January 12, 1942, State Department Records, NA, RG59.

¹⁶Mexican Embassy to Lt. General Stanley Embick, June 1, 1942, State Department Records, NA, RG59.

¹⁷Conn and Fairchild, United States Army in World War II: The Framework of Hemispheric Defense, p. 199.

Admiral Johnson remained with the Commission throughout the war while the Army representative changed on several occasions. The Joint Defense Board, which survived the war and still meets regularly, held its first meeting on March 18, 1942.

This decision on the part of President Camacho to form a Defense Commission with the United States, was not universally approved throughout Mexico. Many Mexicans protested against strengthening military ties with this neighbor who in the past had been considered so unfriendly toward their country, while others criticized the Defense Board as an attempt by the North American Government to draw Mexico into the war. In normal times the vociferous extreme Left element would have joined in the condemnation of closer ties with the United States and made President Camacho's stand even more difficult, but since June, 1941, when Hitler had turned on his former ally and attacked Russia, the Left had generally supported any measures which could be considered anti-Axis. This attitude prevailed throughout the entire war.

The Mexican President and his Foreign Minister, Ezequiel Padilla, had decided that their country's best interests would be served by close collaboration with the United States during the war, but they also realized that at first they must move slowly and attempt to convince the public that this was the best course to follow. The United States also was aware of the delicacy of Mexico's internal political situation. Shortly after the Defense Board was formed United States Army Chief of Staff General George C. Marshall, in a memorandum given wide circulation within the War Department, explained that complete military cooperation between Mexico and United States was "fraught with serious implications for the Government of that country." He cautioned that the approach of the United States in military matters should be patient and well-considered

with proper regard for the internal situation in Mexico, and ordered that all operational military matters be handled by the Joint Commission.¹⁸

The Defense Board, which held its first meeting nine days before the two countries signed a formal lend-lease agreement, spent the greatest part of its time as the board of first review for Mexican lend-lease requests. However, of more immediate importance was the defense of Mexico's long Pacific Coast and the construction of an air base at Tehuantepec, and it was to these tasks that the Commission first turned.¹⁹

United States military experts considered Mexico's Atlantic Coast to be relatively safe from enemy attack due to American bases in the Antilles and constant aerial patrols of the Gulf of Mexico. The threat was to the western coast where Japanese "fishermen" had come for years and had familiarized themselves with every mile of coastline. In addition, living in Mexico along the coast were large colonies of Japanese nationals whose loyalties were thought to still lie with their native country. A particular danger was felt to exist along the almost uninhabited western shore of Lower California, especially near Magdalena, where several excellent harbors could hide a sizable naval element and where a landing force could roam for days without detection.²⁰ Should a large Japanese force succeed in getting ashore undetected in Lower California the naval facilities in San Diego would be endangered. The Panama Canal, which permitted the most rapid transfer of naval forces from one ocean to the

¹⁸Memorandum by Army Chief of Staff, General George C. Marshall, June 19, 1942, State Department Records, NA, RG59.

¹⁹Conn and Fairchild, United States Army in World War II: The Framework of Hemispheric Defense, p. 354.

²⁰Daniel James, Mexico and the Americas (New York: Frederick A. Praeger, 1963), p. 354.

other, was considered to be a prime Japanese target, and American aircraft, using Mexican airfields for fueling stops as provided for in the transit agreement of April, 1941, were rushed immediately after Pearl Harbor to reinforce the defense of that strategic water route.

Joint efforts to defend Mexican shores and the adjacent United States coastal areas resulted in close cooperation in four areas: 1) placing of radar detection stations in Lower California, 2) joint planning by General John L. DeWitt, Commander United States Western Defense Command, and General Lázaro Cárdenas, Mexico's ex-President who had been given the task of defending Lower California, 3) construction of airfields in Mexico, and 4) anti-submarine warfare when German submarines threatened the Gulf of Mexico shipping lanes.²¹

The necessity of establishing radar stations in Mexico became apparent after an Army Air Force study in early 1941 showed that the radar coverage provided by existing equipment was unsatisfactory in that several gaps existed in the southwestern United States near the Mexican border which could only be closed by placing detectors on Mexican soil. This matter was considered far too important to await the formal convening of the Joint Defense Board and was raised with the Mexican Government on December 3, 1941. Pearl Harbor proved to be an effective catalyst which prompted President Camacho to give his full support the day following the attack to the installation of the radar stations in Lower California.

Sites were selected for the detectors at Punta Salispuedes, 20 miles northwest of Ensenada, Punta San Jacinto, 125 miles south of Ensenada, and Punta Diggs on the northeast coast of Lower California.²²

²¹Conn and Fairchild, United States Army in World War II: The Framework of Hemispheric Defense, p. 356.

²²Ibid.

All of the stations were functioning by July, 1942. A United States military detachment consisting of one officer and twenty-five enlisted personnel was assigned to each site both to operate the equipment and to instruct the Mexican military in its use. Within two months Mexican soldiers were operating the radar sets.

These additional stations did not close all of the gaps in the San Diego-Los Angeles area radar coverage, but they did plug the majority of "holes" around this vital military and civilian center. After mid-1942, since the threat of an attack on the west coast was not considered nearly as great as it had been a few months previously, no additional radar stations were constructed. The following summer all United States military personnel assigned to the radar sites in Mexico were withdrawn with the exception of one officer and three enlisted men left in Ensenada for liaison purposes.²³

As stated previously, immediately after the attack on Pearl Harbor former President Cárdenas placed himself at the disposal of his successor, Avila Camacho. Both men, having attained the rank of General in the Mexican Army, realized the particular vulnerability of Lower California to a Japanese attack. General Cárdenas was placed in command of a large military force whose mission was to defend the strategic peninsula. Cárdenas, after establishing his headquarters at Ensenada, personally traveled throughout his area of responsibility, inspecting every site where a potential invasion force could land and stationing his troops where they could report immediately any signs of enemy activity. Although it was never thought that Mexico could repulse a large Japanese invasion, United States military leaders rested easier knowing that any enemy

²³Conn and Fairchild, United States Army in World War II: The Framework of Hemispheric Defense, pp. 356-359.

activity in Lower California would be detected, and immediately reported.

In the area of joint planning not a great deal was accomplished during the entire war, in fact, only one joint plan was adopted, the DeWitt-Cárdenas Plan of March, 1942. It provided that each country would patrol its own western coast, that information would be exchanged between the two military forces, that troops of one of the powers could transit the territory of the other and that, when required, forces of one of the countries could operate under arms in the territory of the other.²⁴ This last provision caused a great deal of discussion since General Cárdenas insisted, that if troops of one country were required to operate in the territory of the other, they be under the control of the host government's military command. Of course this was not acceptable to General DeWitt.

The two generals, not being able to resolve the impasse, declared that the plan was militarily sound and forwarded it to the Joint Defense Board for a solution of the nationalistic issue. The Defense Commission was likewise incapable of reaching a satisfactory solution, but the Mexican officials made it quite clear in private conversations that should an attack occur they would immediately call for United States assistance.

Following its devastating losses at Pearl Harbor the United States Navy was in no position to patrol Mexico's west coast with surface vessels. As a substitute, long-range air patrols were extended into the Pacific, and the question of air bases in Mexico was raised at the Joint United States-Mexican Defense Board meetings. Since the Mexican Government had made it quite clear in the past that she would not entertain a request for a long-term lease of bases on Mexican soil, or any other arrangement that might infringe her sovereignty or national dignity, the

²⁴Conn and Fairchild, United States Army in World War II: The Framework of Hemispheric Defense, pp. 361-362.

United States confined its requests to construction of bases for the joint use of both countries, such bases to be under Mexican command. It was hoped that dive bombers could operate from these Mexican bases to repulse any attack from sea.

The United States Fourth Air Force strongly recommended the construction of three landing fields in Lower California and two staging fields, one at La Paz, near the southern end of the peninsula, and the second near Rosario on the mainland. On April 10, 1942, this proposal was approved by the Defense Commission and the sites were chosen for the fields. Mexico previously had refused to allow the use of her airfields as operating bases, but now that she had broken relations with the Axis Powers, and as the war seemed to be moving closer to her shores, she decided to take a further step along the path of total collaboration. Similarly, on April 30, 1942, the Joint Board approved a United States request for the construction of a heavy bomber base at Tehuantepec to be used by aircraft protecting the western approaches to the Panama Canal. The airdrome would be constructed with American funds and would be under Mexican command. In granting permission to use her air bases Mexico insisted in each instance that any American mechanics stationed at the installations be employees of Pan American Airways and not Army personnel in uniform.²⁵ Mexican public opinion was not yet ready for such complete cooperation.

President Camacho's collaboration with the United States served to further exacerbate the already bitter feelings between Mexico and Germany, making it only a matter of time before one of them would decide to declare

²⁵Conn and Fairchild, United States Army in World War II: The Framework of Hemispheric Defense, pp. 347, 356-359.

war on the other. Following the Japanese attack on Hawaii the United States needed increasing quantities of petroleum to enable her industries to produce enormous amounts of war materials. Although her oil production had not increased appreciably following the 1938 expropriation, Mexico was able to meet some of the American demand for petroleum, and even supplied several tankers for transporting it. As early as March, 1942, German submarines had intercepted some of the Mexican tankers and threatened them with destruction if they continued to carry petroleum to the United States. In spite of this warning the Mexican ships continued to arrive in American ports loaded with petroleum.

The inevitable occurred on May 14, 1942, when a Mexican tanker, the Potrero de Llano was torpedoed by a German submarine off the coast of Florida. Five members of her crew were lost. Despite a strong protest from the Mexican Government, which Germany chose to ignore, a second ship, the Faja de Oro, was sunk the following week with the loss of seven Mexicans. The Mexican public was shocked and indignant, and on May 30 the Mexican Senate by a vote of 53-0 passed a resolution presented by President Camacho declaring that Mexico had been at war with Germany, Italy and Japan since May 22, the day of the sinking of the Faja de Oro.²⁶

With this declaration of war, Mexico even more firmly aligned herself with the United States, and it appeared that public opinion backed the President's position. In a poll taken in Mexico City prior to the sinking of the Mexican tankers 59 percent of those questioned felt that Mexico should not enter the war. After the declaration of war 82 percent considered the President's action patriotic.²⁷ On being informed of the

²⁶The New York Times, May 31, 1942.

²⁷Howard F. Cline, The United States and Mexico (Cambridge: Harvard University Press, 1953), p. 269.

Mexican proclamation the State Department sent a telegram to the Foreign Office which stated in part: "The United States will never forget the friendly policies adopted by Mexico as a participant in the defense of the Western Hemisphere. Still less will the United States forget the moral and material support resulting from Mexico's declaration of war."²⁸

Since German submarine activity in and around the Caribbean Sea and the Gulf of Mexico had become a definite danger to both countries, the Mexican airfield at Cozumel, a small island off the northeastern coast of Yucatan, took on added importance. Until then it had been one of the secondary bases used by American aircraft enroute to the Panama Canal in accordance with the transit agreement of 1941, but following the loss of the two Mexican tankers, the United States requested and received permission to use Cozumel as a base for anti-submarine warfare operations.²⁹ On October 2, 1942, a reciprocal defense agreement was signed between Cuba and Mexico which coordinated anti-submarine surface patrols in the waters between the two countries. In addition the United States, under the terms of the lend-lease agreement, supplied the Mexican Navy with numerous PT boats and other patrol craft to combat the submarine threat. While not completely clearing the area of German submarines the efforts of the three countries were instrumental in keeping their operations to a minimum.

By the end of 1942 the strategic situation had drastically changed. The defeat of the Japanese at the Battle of Midway in June, 1942, while not completely shattering the Imperial Navy, rendered it infinitely less capable of attacking the west coast of the American continent. The

²⁸Department of State Press Release No. 269, June 2, 1942, Hull Papers, Container 96, Library of Congress.

²⁹Conn and Fairchild, United States Army in World War II: The Framework of Hemispheric Defense, p. 347.

Allied assault in North Africa caused the German Navy to recall its submarines from the waters of the Caribbean and the Gulf of Mexico, and position them across the enemy invasion routes. The establishment of United States island bases in the Caribbean correspondingly reduced the requirement for operating bases in Mexico. As a result of this improved strategic picture the Joint Defense Commission agreed to reduce construction plans at Cozumel and Tehuantepec and maintain these fields as emergency bases only. So confident was the War Department by early 1943 of Japan's inability to attack North America, that it decided the construction of the airfields in Lower California was no longer important, and the building materials were directed to more pressing projects.³⁰

It might be argued that all the discussions and negotiations over acquiring airbases in Mexico represented time wasted, since only a few of the fields were ever constructed, and the majority of those were never used. However, it must be borne in mind that United States military leaders in early 1942 considered an attack possible, and even probable, and thought that the bases would be necessary to repulse the enemy. On May 17, 1942, the Army's Intelligence Division estimated that the Japanese would attack somewhere along the Pacific Coast before the end of the month and that the assault would be in the form of "hit and run raids on West Coast cities of the continental United States supported by heavy naval forces."³¹ The Army considered that an operation of this magnitude was within the capability of the Imperial Navy and recommended the stationing of all available aircraft on the West Coast to repel the attack.

³⁰Conn and Fairchild, United States Army in World War II: The Framework of Hemispheric Defense, pp. 348-349.

³¹Stetson Conn, Rose C. Engleman, and Byron Fairchild, United States Army in World War II: Guarding the United States and Its Outposts (Washington: United States Government Printing Office, 1964), p. 89.

The predicted attack, of course, never occurred, and following the Battle of Midway it ceased to be a real possibility.

Although the Mexican flag was not carried into battle until 1945, many Mexican nationals were engaged throughout the war as members of the United States Army and Navy. On January 22, 1943, through an exchange of notes effective the same day, the Governments of Mexico and the United States agreed: "The nationals of either country resident within the territory of the other may be registered and inducted into the armed forces of the country of their residence on the same conditions as the nationals thereof unless otherwise provided herein."³² Those exempted from the terms of the agreement, which would be in effect for the duration of the war and six months thereafter, were students who planned to return to their country upon completion of their studies and officials of either Government residing in the territory of the other.³³ This understanding contrasted sharply with one signed by Mexico and Great Britain on July 8, 1943, which provided for reciprocal exemption from compulsory military service of each country's citizens living in the territory of the other.³⁴

There was a sharp diversity of opinion in Mexico regarding this agreement. One Mexican newspaper levied harsh criticism on the accord and on Foreign Minister Padilla who, it charged, was motivated not by the well-being of his fellow citizens, but by a desire to please the United States. Padilla was accused of having "abandoned to their fate those

³²U. S., Department of State, Executive Agreement Series No. 323 (United States Government Printing Office: Washington, D. C.), 1943.

³³Ibid.

³⁴U. S., Department of State Bulletin Vol. 11, No. 275, (Washington, October 1, 1944), p. 361.

Mexican residents of the United States who neither wish to lose their Mexican nationality nor serve in the United States armed forces."³⁵ Thus the Government of President Camacho made still another decision, which while not universally popular, was believed by the President to be in the best interest of his country.

As a result of the agreement about 250,000 Mexican nationals served in the armed forces of the United States, with approximately 14,000 of this number seeing combat action. They suffered almost 1,000 fatalities and received about 1,400 Purple Hearts. Several of the Mexicans distinguished themselves in combat; one, Sergeant José Mendoza Lopez, received the Congressional Medal of Honor, America's highest military decoration.³⁶

In addition to the many Mexicans actively fighting the war in Europe and the Pacific as members of the United States armed forces, many Mexican generals were in favor of their country actually sending a combat unit abroad. It seems that President Camacho also entertained the thought of seeing Mexican troops on the front lines, but he was determined to move slowly in reaching a decision, launching several apparent trial balloons in an attempt to ascertain public support for such a plan. This was necessary because General Cárdenas was opposed to sending troops outside the national territory, and if the public shared his view, he could easily organize a protest movement against Camacho causing serious internal problems for the President should he decide to send a Mexican unit overseas.

George S. Messersmith, who in February, 1942, had replaced the retiring Josephus Daniels as American Ambassador in Mexico City, as

³⁵ Así, February 6, 1943.

³⁶ Cline, The United States and Mexico, p. 276.

early as July 10, 1942, reported that Camacho was being pressured by his generals to send troops to the front.³⁷ Foreign Minister Padilla privately informed Messersmith two months later that his country was "waiting for her opportunity" to take part in combat operations.³⁸

In his first apparent attempt to "sound out" the Mexican public on this idea, the President said in October that Mexico was now in a position to send a fighting unit abroad and would assist militarily any country in this Hemisphere requesting such aid.³⁹ Any country in this Hemisphere obviously meant the United States, and Camacho probably had in mind the supplying of at least one military unit which would be trained, equipped and supported by the United States. A much more direct statement was made by Padilla on November 17, 1942. After explaining that until then the exigencies of the war had not called for direct Mexican combat participation, the Foreign Minister said that should the necessity of sending troops outside the national territory arise, the Government would immediately present the facts to the people for their decision, and he was sure the Mexican people, "loyal to their traditions of honor and a clear knowledge of the cause which they defend will respond affirmatively without the least vacillation."⁴⁰ The newspaper, Hoy, in an article printed shortly after Padilla's speech entitled, "Ourselves First," advocated staunch defense of Mexican territory, but rejected the idea of

³⁷George S. Messersmith to Franklin D. Roosevelt, July 10, 1942, Hull Papers, Container 50, Library of Congress.

³⁸George S. Messersmith to Sumner Welles, September 17, 1942, Messersmith Papers, Box 3, Correspondence Folder C, University of Delaware.

³⁹The New York Times, October 11, 1942.

⁴⁰George S. Messersmith to Cordell Hull, December 1, 1942, State Department Records, NA, RG59.

sending troops abroad. Messersmith reported two weeks after Padilla's remarks that although many criticized the Foreign Minister for his stand in the days immediately following the speech, the attack was abating and it was his (Messersmith's) opinion that the people would soon come around to Padilla's viewpoint.⁴¹

By July, 1943, the Mexican Government was so confident the public would support the sending of a military unit abroad that Foreign Minister Padilla raised the subject in a conversation with Ambassador Messersmith. Padilla said it was not in accord with Mexico's dignity to sit idly by and watch the other United Nations carry on the war against the Axis. His country wanted to take its rightful place and share in the sacrifice of those fighting for democracy. He was sure that the President was in complete agreement with what he was saying. Messersmith replied that he thought it would be entirely too difficult to train, equip and integrate an army ground unit into the American command structure, but he felt that since many Mexican pilots had already received some training in the United States it would be feasible to send an Air Force squadron to the front. In informing the Department of his talk with Padilla the Ambassador cautioned that absolute secrecy must be maintained since Avila Camacho had not informed other members of his Government of the initiative the Foreign Minister had taken, and because under the Mexican Constitution the President needed Congressional authority to send troops outside the continent.⁴²

No further steps were taken by the Mexican Government in this matter

⁴¹George S. Messersmith to Cordell Hull, December 1, 1942, State Department Records, NA, RG59.

⁴²Foreign Relations of the United States, 1943, American Ambassador in Mexico to Under Secretary of State (Welles), July 6, 1943, Vol. 6, pp. 404-405.

until mid-September when General Marshall traveled to Mexico for that country's Independence Day celebration. The General reported to President Roosevelt that during his visit President Camacho had raised the question of sending a military unit of his countrymen overseas. The Mexican President realized that the United States apparently had sufficient troops to bring the war to a successful conclusion, but he wanted the American Government to know that should additional forces be needed, his country would make them available. On hearing this President Roosevelt replied that he hoped the United States "could think up some method of using even a token force of Mexicans at some point outside of Mexico..."⁴³ The War Department opposed the idea of Mexico sending an infantry division since it would take about two years to train such a unit, but was willing to accept an offer to send a fighter squadron should such a proposal be made by Mexico.

President Camacho in addressing a gathering of Mexican generals on November 23, 1943, said that the Mexican Army "removed up to the present time from the battles which the soldiers of the United States are heroically fighting...is ready to take part if the war demands it."⁴⁴ Messersmith reported that without exception the press was favorable in its critique of the President's message. One year earlier similar remarks by Ezequiel Padilla aroused waves of opposition, but suddenly it appeared that the public was ready for Mexico to assume a more active military role.

In late January, 1944, when he was in Washington, Ambassador Messersmith spoke to President Roosevelt, with General Henry H. Arnold,

⁴³Memorandum, General George C. Marshall to Franklin D. Roosevelt, September 18, 1943, Secretary's File 40, Roosevelt Library.

⁴⁴George S. Messersmith to Chief, Division of American Republics (Bonsal), November 23, 1943, State Department Records, NA, RG59.

Army Chief of Air Staff, also present, of the desire of President Camacho and Foreign Minister Padilla to send at least one air squadron and possibly two or three to the combat front. Roosevelt favored the idea which Arnold considered perfectly feasible. Messersmith was instructed on his return to Mexico to inform the Mexican leaders that President Roosevelt had expressed interest in the participation of one or more Mexican fighter squadrons in the war effort.⁴⁵ This would place the burden on the Mexican Government to make a firm offer.

At this meeting with General Arnold and Ambassador Messersmith, Roosevelt agreed to a request made by President Camacho that initial discussion on Mexican combat participation be carried on via diplomatic channels and not be introduced into the Joint Defense Commission, at least until preliminary matters were settled. This precaution was necessary since General Cárdenas, who now held the post of Defense Minister, was opposed to any Mexican military participation in the war, which he considered would be too small to have any effect. Because the Mexican representatives on the Defense Board reported to the President through Cárdenas, Camacho much preferred to receive information directly from Messersmith rather than from Cárdenas who might tend to be somewhat selective in his reporting.⁴⁶ In addition, the subject was still considered quite sensitive by both Governments which were eager to restrict the number of people who knew it was being discussed.

On his return to Mexico in mid-February Ambassador Messersmith informed President Camacho and Padilla of President Roosevelt's interest in the Mexican squadron. Both men were quite pleased at the American

⁴⁵George S. Messersmith to Cordell Hull, February 18, 1944, State Department Records, NA, RG59.

⁴⁶Ibid.

response and the Mexican President indicated that he would consult with his Government and inform the Ambassador of his decision. Messersmith understood this to mean that the President would make another attempt to convince Cárdenas, whose opposition would almost certainly be overridden, that the sending of the squadron would be in the national interest.

At an Air Force luncheon on March 8, 1944, the Mexican Chief Executive in addressing the officers present said that he felt the time had come for Mexico to take an active military role in the war, and he considered the Air Force eminently qualified to carry the national colors into battle. His statement was received vociferously, and in the days following the luncheon the President received thousands of telegrams from men volunteering to become part of a combat air unit should one be sent. On March 14, Foreign Minister Padilla informed Messersmith that his country was now formally offering to send a combat air squadron abroad, but that no publicity should be given the offer since the President still did not have Congressional authority to dispatch troops outside the continent.⁴⁷

The American Government immediately accepted the offer, and the Army began making detailed plans for training the squadron in Texas prior to its departure for the combat zone. In Mexico the selection of personnel for the unit was personally supervised by President Camacho who wanted only the very best to represent his country. Of the aviators making up the squadron about two-thirds had been trained in the United States.

The 201 Mexican Fighter Squadron, consisting of 42 officers and 249 enlisted personnel under the command of Colonel Antonio Cárdenas Rodríguez, arrived at Randolph Field on July 25, 1944, for about six

⁴⁷Foreign Relations of the United States, 1944, American Ambassador in Mexico to President Roosevelt, March 15, 1944, Vol. 7, pp. 1182-1184.

months of comprehensive training.⁴⁸ Still no mention was made of its ultimate destination since the Mexican Congress would not be in session until September to give its permission for overseas service, and President Camacho felt it unwise to call a special legislative session for that purpose. United States officials said only that the squadron was coming to Texas for training and that its ultimate destination was for the Mexican Government to decide. Ambassador Messersmith reported after the departure of the unit that most Mexicans felt its ultimate destination was the combat zone. No adverse press reports appeared, and the people seemed both happy and proud that their country would be represented in battle.⁴⁹

Formal costs of training the squadron were charged to Mexico's lend-lease account as were expenditures for housing and feeding of enlisted personnel. The Mexican Government provided insurance, uniforms, and pay and allowances for its enlisted men. Mexican officers were housed, uniformed and fed at their own expense. Use of United States Army equipment was authorized as needed throughout the training cycle.⁵⁰

During a visit to Washington in December, 1944, Ambassador Messersmith again had an opportunity to discuss the Mexican air squadron with President Roosevelt. The training which was to end about mid-March was progressing satisfactorily and Avila Camacho was becoming concerned over the final destination of the unit. The Mexican President had learned unofficially that the squadron was destined to serve in the European Theater, and he

⁴⁸Memorandum of Conversation by Division of American Republics Affairs (McGurk) July 22, 1944, State Department Records, NA, RG59.

⁴⁹George S. Messersmith to Department of State (McGurk) July 29, 1944, State Department Records, NA, RG59.

⁵⁰"History of the 201 Mexican Fighter Squadron", Army Air Force Records, Washington National Records Center, Suitland, Maryland.

had asked Messersmith to personally relay his strong desire to President Roosevelt that it be sent instead to the Pacific. President Camacho recounted to the Ambassador how about two years earlier on a radio broadcast, both he and President Roosevelt had promised President Manuel L. Quezon of the Philippine Commonwealth that they would do everything possible to liberate his country from the Japanese. Camacho realized that one squadron would not really make a great difference in the final results of the war, but he said the Mexican people would be pleased to see their aviators fighting in the Pacific.⁵¹

President Roosevelt thought this to be a natural request, and one that should be granted. He promised to refer the matter to General Marshall and General Douglas MacArthur, Commander, United States Forces, Philippines, for their decision. MacArthur replied that he would be happy to have the Mexican squadron join his command.⁵²

On December 29, 1944, the Mexican Senate unanimously authorized the President to send the squadron abroad, and on January 9, 1945, an agreement was signed by the two Governments providing for the integration of the unit into the United States Army Air Force. According to the understanding, the squadron was to be treated as an integral part of the American Army, and all official communications between the unit and the Mexican Government would be sent via the War Department. In the interest of safety all planes flown by the 201 Squadron would bear standard United States markings although, in addition, a Mexican insignia could be displayed. All items of initial issue as well as replacement and

⁵¹Foreign Relations of the United States, 1944, Memorandum of Conversation by George S. Messersmith, December 19, 1944, Vol. 7, pp. 1196-1197.

⁵²Foreign Relations of the United States, 1945, George S. Messersmith to Cordell Hull, January 4, 1945, Vol. 9, p. 1109.

maintenance equipment were to be charged to Mexico's lend-lease account.⁵³

The following day the squadron officially received its new title, the Mexican Expeditionary Air Force.

The Mexican public was now sure that the squadron would be sent to the war zone. They accepted the news with apparent approval, and as Ambassador Messersmith reported, "if there are any left who do not thoroughly approve of this participation, it is a few ultra radical or ultra conservative groups in Mexico which have no controlling voice in the country."⁵⁴ An editorial in one of the country's leading newspapers probably represented the feelings of many Mexicans:

For the first time in the history of Mexico our flag will be carried on foreign soil. It goes not as a sign of conquest or as a promise of booty, but as the emblem of a people whose fundamental rights were transgressed and who are fighting on the side of justice and liberty.⁵⁵

The Mexican Expeditionary Air Force completed its training on March 14, and departed the United States for the western Pacific on April 6, 1945. On arrival in the Philippines on May 2, the Mexicans were greeted by General George Kenney, Commander of the United States Fifth Air Force. While assigned to the Pacific Theater the squadron was part of the Fifth Air Force, Fifty-Eighth Fighter Group.

Between June 4 and August 6 the Mexican unit flew 59 missions and 293 sorties against enemy targets in the Philippines and Formosa, for

⁵³"Agreement Between Mexico and the United States Regarding Participation of 201 Mexican Fighter Squadron Overseas," January 9, 1945, State Department Records, NA, RG59.

⁵⁴George S. Messersmith to Headquarters Army Air Force (General Walsh), January 23, 1945, State Department Records, NA, RG59.

⁵⁵E1 Universal, January 13, 1945.

a total of 907 combat hours. The squadron dropped 181 tons of bombs and expended 104,000 rounds of .50 calibre ammunition during its missions, the results of which were evaluated by United States air controllers as varying between good and excellent.⁵⁶ Mexican casualties were listed as four killed and one missing.⁵⁷

On returning to their native land in mid-November the aviators were accorded a tumultuous reception. To the average Mexican these were the conquering heroes returning home from a victorious battle against the enemies of liberty. President Harry S. Truman sent a telegram to President Camacho expressing his "sincere congratulations and appreciation... for the splendid conduct of these men in the Pacific Theater where they upheld the fine tradition of Mexican arms and of Mexico's historic stand with the principles of democracy."⁵⁸ The Mexican President replied that his country was grateful to have been able to cooperate with the armed forces of the United States in so great a task.⁵⁹

The real measure of military cooperation that took place between the United States and Mexico during World War II cannot be calculated by considering the success of the joint planning between General Cárdenas and General DeWitt, or by the permission granted by Mexico for joint use of her bases and airfields, or even by the formation of the Mexican-United States Joint Defense Commission and the signing of the air-transit

⁵⁶"History of the 201 Mexican Fighter Squadron," Washington National Records Center.

⁵⁷Acting Adjutant General (Gilbert) to Department of State, November 21, 1945, State Department Records, NA, RG59.

⁵⁸Foreign Relations of the United States, 1945, President Truman to President of Mexico, November 14, 1945, Vol. 9, p. 1129.

⁵⁹President Avila Camacho to President Truman, November 16, 1945, State Department Records, NA, RG59.

agreement. These were the initial successes, but possibly more important was the increasing collaboration which prompted Mexico to participate actively in the war. In addition to the 201, Mexico had a second air squadron in training when the war ended.⁶⁰ With the exception of Brazil which sent a ground force to Europe, she was the only Latin American nation to provide a military unit for combat action. This military collaboration had some effect in stimulating mutual cooperation in other areas.

During the First World War, Mexico was looked upon in the United States as, at best, a neutral with pro-German sympathies, and prudence dictated that several thousand American troops be stationed along the Mexican border to meet any eventuality. The situation had changed drastically in twenty-five years, and as the United States was drawn into World War II, it was possible for the two neighbors to be allies rather than potential enemies.

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Unpublished Memoirs of George S. Messersmith, Vol. 3, No. 18, University of Delaware, p. 11.

CHAPTER IV

LEND-LEASE ASSISTANCE TO MEXICO

Shortly after the United States held its 1940 presidential election in which Franklin Delano Roosevelt was chosen for an unprecedented third term, Prime Minister Winston Churchill of Great Britain sent a long letter to the American President listing the implements of war that his country would need in its battle for survival. Roosevelt responded publicly in his now famous "arsenal of democracy" address to Congress on January 6, 1941, in which he called for "all-out aid" to the democracies. The President's remarks produced a sharp debate in the legislature between the isolationists and the internationalists which the latter won on March 11, 1941, with the passage of the Lend-Lease Act, HR 1776.

This bill, also known as "An Act to Promote the Defense of the United States," granted extraordinary powers to the Chief Executive. It provided that the President could authorize any of the departments or agencies of the Government "to manufacture in arsenals, factories, and shipyards under their jurisdiction...any defense article for the government of any country whose defense" the President deemed vital to the defense of the United States.¹

Long before receiving this broad authorization, Roosevelt had instructed the War and Navy Departments to determine those countries whose defense was essential to the well-being of the United States. Of the Latin American countries the War Department considered the defense of Brazil and Mexico as most important to the strategic interests of

¹Ruhl J. Bartlett, ed., The Record of American Diplomacy (New York: Alfred A. Knopf, 1964), p. 611.

the Hemisphere.

In the spring of 1940 the War Department prepared a "combat estimate" of Mexico's armed forces. This report indicated that although Mexico's military establishment was sufficiently strong to combat domestic uprisings and provide for internal security, lack of training and equipment would preclude it from turning back a strong military invader. The Army lacked aircraft, artillery and ammunition of all classes, while the Navy, existing as an independent service only since the beginning of 1940, commanded little more than a few coastal patrol craft. The level of training in all branches of the military was low. If Mexico were to make any contribution to the defense of the Hemisphere, it was obvious, the report concluded, that the United States would be required to equip the Mexican military and train its personnel.² An army plan approved by the President on August 1, 1940, recommended supplying arms to Mexico "to insure her ability to defend herself against any probable attack from overseas..." until United States forces could arrive in sufficient strength to insure success.³

In order to implement this plan, the United States requested Mexico, along with the other Latin American countries, to supply the War Department with a list of its defense needs. Mexico, however, was not willing, prior to the passage of the Lend-Lease Act, to accept a large quantity of military equipment from the United States since she did not have the money to purchase it and did not wish to negotiate a loan for that purpose. By the beginning of 1941 only Mexico and three of the Central

²Stetson Conn and Byron Fairchild, United States Army in World War II: The Framework of Hemispheric Defense (Washington: United States Government Printing Office, 1960), p. 351.

³Ibid., p. 213.

American countries had failed to provide the Army with the requested list. Similarly, following the enactment of lend-lease, no progress was made in supplying Mexico with defense equipment because, although she did submit a list of her military needs, the State Department objected to the signing of a lend-lease agreement with Mexico before an understanding was reached on United States use of Mexican naval facilities.⁴ On December 24, 1941, when the Mexican Senate approved legislation opening ports and airfields of that country to American forces, the path was cleared for the concluding of a military supply agreement.

Originally the United States proposed that the lend-lease arrangement with Mexico be negotiated for a sum of \$29 million but the latter, not yet officially at war with the Axis, favored a much smaller amount. A figure of \$10 million was finally agreed to by both sides, and under the authority of the Lend-Lease Act and in conformity with the principles of the Declaration of Havana, an agreement was signed on March 27, 1942, making Mexico the seventeenth country, including fourteen Latin American nations, to conclude such a pact with the United States.⁵ The Havana Declaration of July, 1940, provided that in the event of aggression against an American state by a non-hemispheric nation the signatory powers would "proceed to negotiate the necessary complementary agreements so as to organize cooperation for defense and the assistance that they shall lend each other...."⁶

⁴Memorandum, Adviser on Political Relations (Duggan), August 1, 1941, Department of State Records, National Archives, Record Group 59. Hereafter referred to as State Department Records, NA, RG59.

⁵Memorandum for Acting Secretary of State from Treaty Division, March 26, 1942, State Department Records, NA, RG59.

⁶U. S., Department of State Bulletin Vol. 8, No. 194, (Washington, March 13, 1943), p. 215.

In reaching the March, 1942 agreement the Presidents of the United States and Mexico declared that the defense of each of the American Republics was vital to the security of all of them, and for this reason Mexico and the United States were mutually desirous of militarily assisting each other. Under the terms of the pact the United States proposed to transfer to Mexico "armaments and munitions of war" to a value not in excess of \$10 million, which delivery could be halted at any time by the President of the United States or acceptance stopped by the President of Mexico. A reduction of 52 percent in the scheduled cost of the material transferred was granted to Mexico, and the repayment schedule called for yearly installments with the final sum of \$4.8 million due no later than July 1, 1948. Mexico promised to supply to the United States any defense articles or defense information in her possession which the latter requested, and also agreed not to transfer to another power any of the materials received from the United States under this arrangement. The pact was to continue in force until a date mutually agreeable to both Governments.⁷

Ambassador Messersmith reported favorable editorial comment on the lend-lease agreement in all of Mexico City's newspapers. Most Mexicans were proud, Messersmith stated, that their country had been found a worthy ally to share in America's military might. Six United States patrol aircraft transferred to Mexico arrived in that country almost simultaneously with the announcement of the military aid pact. In the Ambassador's opinion the arrival of war equipment was the most effective instrument in inducing the Mexican public to assume a more pro-American

⁷Foreign Relations of the United States, 1942, "Lend-Lease Agreement between the United States and Mexico," March 27, 1942, Vol. 6, pp. 485-488.

attitude.⁸

When the defense needs of the United States were considered, the materials requested by the Mexican military were the very items that could least be spared. Mexico asked for mortars, anti-aircraft cannons, machine guns, armored vehicles, aircraft and parachutes, all of which were in very short supply in the United States. Nevertheless, as soon as the agreement entered into effect, military equipment, at first in small quantities, but later in an ever-increasing volume, began to flow south of the border.⁹ One of the first lend-lease shipments arrived in Mexico on July 15, 1942, and included various anti-aircraft equipment, anti-tank guns and motorized vehicles.¹⁰ In December of the same year two squadrons of American aircraft were delivered to the Mexican Air Force.¹¹

Under the terms of the lend-lease agreement the transfer of non-military equipment was not precluded provided it was "necessary to the war effort," a phrase strictly interpreted by the War and Navy Departments.¹² Four Mexican requests for non-military material provoked some disagreements among the members of the Joint United States-Mexican Defense Board, but they were quickly resolved to the satisfaction of both sides.

In the first of these requests President Camacho's Government asked for lend-lease assistance to complete a highway construction program. The United States quickly pointed out that Mexico had not yet used the

⁸George S. Messersmith to Cordell Hull, March 31, 1942, State Department Records, NA, RG59.

⁹Conn and Fairchild, United States Army in World War II: The Framework of Hemispheric Defense, pp. 353-354.

¹⁰The New York Times, July 17, 1942.

¹¹The New York Times, December 12, 1942.

¹²Cordell Hull to George S. Messersmith, June 18, 1942, State Department Records, NA, RG59.

\$30 million highway building credit provided for in the comprehensive agreement of 1941. Obviously, Mexico would have preferred to use lend-lease material for this particular project because only 48 percent of the total value would have to be repaid, but she was finally persuaded to use part of the \$30 million credit to carry out her highway construction plans.

As Mexico began to deliver to the United States large quantities of strategic materials, so vital in the manufacture of many implements of war, the woeful condition of her national railways became apparent. (See Chapter VII for a description of the strategic materials supplied by Mexico, and Chapter IX for a discussion of the National Railways of Mexico.) Her representatives on the Joint Defense Board raised the question of lend-lease support for railroad maintenance and repair, but the United States preferred that the assistance come from another source. When the magnitude of the railroad rehabilitation task became apparent, the Roosevelt Administration felt it only fair that the United States share in the cost of this program since America was asking the Mexican railroads to carry a burden far greater than normal. An agreement was signed late in 1942 under which the United States agreed to finance a substantial part of the rehabilitation of the national railways.

In 1942 the Petroleum Coordinator for National Defense, Harold L. Ickes, reported that a shortage would soon exist in the supply of high octane gasoline used by high performance military aircraft and recommended that a 100-octane gasoline plant be constructed in Mexico. Since the United States considered this a self-liquidating project which would pay for itself, a Mexican request for lend-lease assistance was turned down and a loan was granted by the Export-Import Bank to construct the

plant.¹³

The final request of the four mentioned above was for a dry dock. This project was felt to be sufficiently "necessary to the war effort" to justify the use of lend-lease funds.

Less than six weeks after his country had declared war on the Axis, Ambassador Castillo Nájera called at the State Department to say that his Government was interested in increasing the amount of its lend-lease agreement and renegotiating the terms of payment.¹⁴ The United States was willing to accede to this request, and after careful consideration proposed the ceiling be raised to \$70 million with repayment of 35 percent of that amount.¹⁵ The Mexican Government replied that since it had already been determined that the railroad rehabilitation project, the highway construction program, and the high octane gasoline plant would not be financed with lend-lease funds it was thinking more in terms of \$40 million rather than \$70 million.¹⁶ The United States accepted the smaller figure and even agreed to lower the repayment percentage to 33 percent.

In early March, 1943, Mexico recommended that the revised draft agreement be further modified to provide that Mexican lend-lease requests be approved by a resolution of the Joint Defense Board. Although this body was the board of first review for Mexican requests, final approval rested with the Lend-Lease Administration which was not willing, in effect,

¹³Cordell Hull to George S. Messersmith, June 18, 1942, State Department Records, NA, RG59.

¹⁴Memorandum by State Department Political Adviser (Duggan), July 7, 1942, State Department Records, NA, RG59.

¹⁵Memorandum by Division of Treaties and Agreements (Hawkins), November 11, 1942, State Department Records, NA, RG59.

¹⁶Memorandum by State Department Political Adviser (Duggan), to Under Secretary of State Sumner Welles, December 7, 1942, State Department Records, NA, RG59.

to give prior consent to any project which passed the Defense Board.¹⁷

Castillo Nájera was so informed and the Mexican proposal did not appear in the final draft.

The "Agreement Between the United States and Mexico Regarding Principles Applying to Mutual Aid in the Prosecution of the War" which cancelled the original lend-lease pact was signed in Washington on March 18, 1943. Similar to the first agreement in many ways it provided for the transfer of about \$40 million worth of "armaments and munitions of war" with a reduction of 67 percent in the scheduled cost of such equipment. Following the war Mexico could return any material not utilized and her account would be credited with the full amount she had been charged for the returned items.¹⁸ The repayment schedule called for the final installment to be paid by January 1, 1949.¹⁹

The delivery of American aircraft comprised a large portion of United States lend-lease aid to Mexico. Of the 305 planes transferred to the Mexican armed forces, 25 were P-47 Mustangs, one of the most modern fighter-bombers in the United States air inventory at the time. These modern aircraft were used by the Mexican 201 Fighter Squadron in action against Japanese forces in the Philippines and Formosa. Most of the other

¹⁷Special Assistant to Under Secretary of State (Collado) to Mexican Embassy, March 8, 1943, State Department Records, NA, RG59.

¹⁸Foreign Relations of the United States, 1943, "Agreement Between the United States and Mexico Regarding Principles Applying to Mutual Aid in the Prosecution of the War," March 18, 1943, Vol. 6, pp. 397-402.

¹⁹The agreement actually provided: "The Government of the United Mexican States shall not be required to pay more than a total of \$2,200,000 before January 1, 1944, more than a total of \$4,400,000 before January 1, 1945, more than a total of \$6,600,000 before January 1, 1946, more than a total of \$8,800,000 before January 1, 1947, more than a total of \$11,000,000 before January 1, 1948, or more than a total of \$13,200,000 before January 1, 1949." This repayment plan presupposed that Mexico would utilize her entire lend-lease quota.

planes delivered to Mexico were trainers and patrol craft, although in 1943 the War Department did transfer 30 Douglas light bombers to the Mexican Air Force for anti-submarine escort duties. The real value of all aircraft assigned to Mexico under the lend-lease agreement amounted to \$14,619,440.²⁰ As was the case with all lend-lease equipment supplied to her military forces, Mexico elected to retain all of these planes after the war.

The cost of all training programs in which members of Mexico's armed forces participated was charged to her lend-lease account. These training courses, begun in 1942, reached a peak enrollment during fiscal year 1944 when about 165 Mexican officers and enlisted men were in attendance at any one time. The most popular programs were at the Subchaser Training Center at Miami and the Air Training Center at Corpus Christi, while smaller numbers attended aviation mechanics, logistics and supply schools. When the air squadron began its training in July, 1944, which was also financed by lend-lease aid, other aviation training programs involving Mexican personnel were reduced.²¹

Another portion of Mexican military assistance was "spent" on the construction of an ordnance plant for the production of 75-mm projectiles. The Lend-Lease Administration approved this project in December, 1943. It had been the plan of the Mexican Government to develop a munitions industry near Mexico City consisting of the above plant and factories for the manufacture of smokeless powder and small arms. Despite the strong recommendation of the Defense Commission the Lend-Lease Administration refused to sanction the latter two projects. The ordnance plant was

²⁰Conn and Fairchild, United States Army in World War II: The Framework of Hemispheric Defense, p. 355.

²¹Ibid., pp. 355-356.

about 80 percent completed when lend-lease deliveries were suspended in September, 1945. The machinery, valued at over \$1 million, which had been delivered to Mexico for use in the plant was retained by that Government and installed in publicly-owned factories.²²

Numerous other implements of war including machine guns, rifles, hand guns, anti-aircraft cannons, various kinds of ammunitions, naval patrol craft, tanks, armored vehicles, etc. were delivered to Mexico during the war. Total United States lend-lease assistance to all nations during the Second World War amounted to about \$42 billion, of which Latin America received 1.1 percent or \$459,422,000. Next to Brazil which received almost 75 percent of the latter figure to equip her expeditionary force, Mexico's share of lend-lease was greater than that of any other Latin American nation.²³

It is probable that Mexico received such a large amount of the lend-lease funds allotted to the American Republics for the following reasons: 1) although on a modest scale, Mexico was one of the two active belligerents among the Latin American countries; 2) the United States hoped that it could induce even more cooperation from Mexico in political and economic areas by supplying the Mexican military with large amounts of equipment; and 3) the United States had learned from its experience during World War I that it would be very beneficial to have Mexico friendly, collaborative, and at least adequately equipped from a military viewpoint.

The program of lend-lease assistance to Latin America in general, and Mexico in particular, was not immune from criticism by various

²²Conn and Fairchild, United States Army in World War II: The Framework of Hemispheric Defense, p. 355.

²³J. Lloyd Mechem, A Survey of United States-Latin American Relations (Boston: Houghton Mifflin Company, 1965), p. 152.

members of both Houses of Congress. In late 1943 Senator Hugh A. Butler (R., Neb.) leveled an attack, described by Secretary Hull as being of the "narrowest partisan character," against the use being made of lend-lease aid in several American Republics.²⁴ In a lengthy report Butler charged that funds were being spent on completely unnecessary projects which had little or no connection with the war program and which were causing intense rivalries among the nations in the southern part of the Hemisphere.²⁵ Hull charged that Butler's "unfortunate allegations" contained "inaccuracies," "fallacies," "misstatements," and "gross misrepresentations."²⁶

In April of the following year two members of the House of Representatives spoke out against alleged misuse of lend-lease funds. Representative Harold Knutson (R., Minn.) in a House speech charged that the United States Government was spending \$200 million to rehabilitate the railroad between Mexico City and Veracruz. This allegation was utterly false as the railway in question was British-owned, and the United States spent absolutely no money on its repair. On hearing of Knutson's remarks Ambassador Messersmith said that in his opinion, with the possible exception of Brazil, no country in this Hemisphere had made such good use militarily of lend-lease funds as had Mexico.²⁷

Representative Fred Bradley (R., Mich.) claimed that lend-lease funds were being expended "on a multitude of so-called Good Neighbor

²⁴Memorandum of Conversation, Cordell Hull and Ambassador Castillo Nájera, December 3, 1943, Hull Papers, Container 60, Library of Congress.

²⁵The New York Times, news article by Kathleen McLaughlin, November 27, 1943.

²⁶The New York Times, December 15, 1943.

²⁷George S. Messersmith to Division of Mexican Affairs (McGurk), April 21, 1944, State Department Records, NA, RG59.

projects large and small." He said that lend-lease aid was being used to rehabilitate Mexican railroads which had no strategic value and for the construction of air raid shelters when there was little danger of an air attack. The Congressman concluded: "now all this would not be too bad if our Good Neighbor Policy were actually bearing fruit but our extreme lend-lease generosity under our Good Neighbor Policy is wholly unappreciated by the average Mexican."²⁸ In response to Representative Bradley's charges, Leo T. Crowley, head of the Foreign Economic Administration, in a letter published in the Mexican press said that no lend-lease money had been expended on civil or commercial projects. Crowley stated that up to that time 65 percent of the military aid extended to Mexico had been used for aircraft and aviation parts with the remainder allocated for tanks, ammunition, and military vehicles. Not one cent of lend-lease money had been spent on Mexican railroads.²⁹

Secretary of State Hull informed Ambassador Nájera in December of 1942 that the Lend-Lease Administration was in the process of preparing repayment schedules for individual countries and asked that no installment be paid until statements were received. The renegotiation of the Mexican agreement complicated the task, and it was not until June 27, 1944, that the Mexican Embassy in Washington was presented with a statement which requested the payment of \$2.2 million due as of the previous January first.³⁰ Having received no response to this communication by late November, the State Department again requested the overdue payment

²⁸Associated Press, April 28, 1944.

²⁹Novedades, May 3, 1944.

³⁰Cordell Hull to Ambassador Castillo Nájera, June 27, 1944, State Department Records, NA, RG59.

from the Embassy and instructed Ambassador Messersmith to discreetly bring up the subject in his conversations with officials of the Foreign Office. Again the Mexican Government made no reply to the American request, and the State Department elected not to apply further pressure until the completion of the Inter-American Conference on Problems of War and Peace held at Chapultepec Castle in Mexico from February 21 to March 8, 1945.

In late March, for the third time, Mexico was asked to meet her lend-lease repayment obligations; however, by that time the amount in arrears, in accordance with the mutually agreed payment schedule, had increased to \$4.4 million. (See footnote #19, p. 107.) Mexico was not the only Latin American country that had seemingly ignored its financial obligations. Of the eighteen Republics which had signed lend-lease agreements, only eight, by the beginning of 1945, had begun to reimburse the United States for the defense material received.³¹

One week after the State Department's third request for repayment had been sent to the Mexican Embassy, Ambassador Messersmith in a long dispatch to Secretary Hull stated that the burden of lend-lease repayment was too great for the weak financial structure of the Latin American countries to bear. Messersmith cautioned that if the United States wished to maintain the close wartime military and economic collaboration with the Republics of the Western Hemisphere, which he considered indispensable, the defense materials must be supplied to these countries at a very low cost. Finally the Ambassador recommended that the nations of this

³¹Division of Mexican Affairs (Carrigan) to George S. Messersmith, February 28, 1945, State Department Records, NA, RG59.

Hemisphere be relieved of their lend-lease repayment obligations.³²

The following month Brigadier General A. R. Harris, United States Military Attaché in Mexico City, recommended to the War Department that Mexico's lend-lease debt be cancelled. He reasoned that during World War I it had cost the United States \$30 million per month to station 100,000 troops along the Mexican border. During the current struggle due to Mexico's unequivocally friendly posture, it had not been necessary to guard the border, and America had supplied Mexico with about \$25 million worth of military goods and training. By her policy of complete collaboration, the General argued, Mexico had actually saved the United States millions of dollars, and thus she deserved to be liberated from her debt.³³

Apparently these arguments fell on unsympathetic ears in the State Department and the Lend-Lease Administration because on August 30, 1945, payment was again requested from Mexico. On this same day President Truman announced to Congress: "The great task of lend-lease has now ended. The programs of lend-lease to our allies are being terminated in an expeditious and orderly manner, subject to military needs for the movement of troops or for occupation purposes."³⁴ As of the following day Mexico had received from the United States military goods and services valued at \$26,275,731.75; however, by December, 1946, the figure had risen to its final total of almost \$39 million.³⁵

³²Foreign Relations of the United States, 1945, George S. Messersmith to Cordell Hull, April 5, 1945, Vol. 9, pp. 1110-1118.

³³Military Attaché in Mexico (Harris) to War Department, May 4, 1945, State Department Records, NA, RG59.

³⁴U. S., Department of State Bulletin Vol. 13, No. 324, (Washington, September 2, 1945), p. 322.

³⁵Cordell Hull to George S. Messersmith, December 11, 1945, State Department Records, NA, RG59.



In mid-September Ambassador Nájera, who would soon take up the Foreign Minister's post recently vacated by Ezequiel Padilla, informed officials of the State Department's Division of Mexican Affairs that the late President Roosevelt had given him the impression that Mexico would not be expected to meet her lend-lease obligations. Castillo Nájera indicated that in giving this impression Roosevelt had told his famous story of the man, who on seeing his neighbor's house burning, lent his neighbor a hose to put out the fire. The assumption was that it would have been foolish for the man to charge his neighbor for using the hose since the fire probably would have spread to his house had his neighbor not been able to extinguish it. The Ambassador said that former Under Secretary of State Sumner Welles also had imparted the idea that Mexico would not be required to pay her lend-lease debt.³⁶

Although President Roosevelt had died five months earlier and Sumner Welles no longer occupied a position with the State Department, an investigation was conducted in an effort to either substantiate or disprove Castillo Nájera's allegation. A careful check of Department files plus an interview with Welles failed to produce any evidence to support Nájera's statement. A memorandum explaining the Mexican Ambassador's contention that his country was not expected to meet its lend-lease obligation was prepared by the Director of the Office of American Republic Affairs and circulated throughout the State Department for the appropriate comment of those officials who had been active in the negotiation of the Mexican agreement. The memorandum was returned to its author with the following comments written in the margin: Assistant Secretary of State William L. Clayton, "I never heard of it before;" Emilio G.

³⁶Memorandum of Conversation by Division of Mexican Affairs (Carrigan) September 14, 1945, State Department Records, NA, RG59.



Collado, Director of the Office of Financial and Development Policy, "I never heard of this and was handling it at the time;" Acting Secretary of State Dean Acheson, "I was familiar with this at the time & never heard of such a suggestion. If you have not I think we ought to put it to rest."³⁷ The only support for the Mexican position came from Ambassador Messersmith who recalled that in a conversation he had had with the late President Roosevelt, the latter indicated the American Republics would not be required to pay for defense materials received during the war.³⁸

In October, after he had become Foreign Minister, Castillo Nájera raised the question of lend-lease payments with Ambassador Messersmith. He told Messersmith that the revenues of the Mexican Government had decreased recently while the cost of mandatory social programs had increased, and that Mexico was not in a position to pay her lend-lease debt without defaulting on other obligations under the Petroleum and Agrarian Claims Settlements which he considered more important. Moreover, the Mexican diplomat, elaborating on his earlier conversation with State Department officials the previous month, asserted that during the time he had held the position of Ambassador in Washington he had advised President Roosevelt that Mexico might not be able to repay the United States for the defense material received, and according to Nájera, the President said that his country would not request the Latin American Republics to pay anymore than it would require the European and Far Eastern countries to do so. Furthermore, the newly appointed Foreign

³⁷Foreign Relations of the United States, 1945, Memorandum by Director of Office of American Republics Affairs (Warren), September 14, 1945, Vol. 9, p. 1119.

³⁸Foreign Relations of the United States, 1946, George S. Messersmith to James F. Byrnes, May 2, 1946, Vol. 11, pp. 978-985.

Minister said that when the revised lend-lease agreement was being negotiated in 1943, Sumner Welles told him that it did not matter if the ceiling was set at \$70 million or \$40 million since Mexico would not be expected to pay for any of the goods delivered. Finally, Castillo Nájera stated that if the United States demanded repayment his Government would eventually satisfy its obligation.³⁹

In reporting this conversation to the State Department, Messersmith, pressing his views upon his superiors, said that in his opinion most of the Latin American countries which had made lend-lease payments believed that they would be refunded. The Ambassador pointed out that with regard to lend-lease, as well as in other areas, the American Republics felt that the United States had treated her European allies far better than she had treated them and, he cautioned, this feeling was not conducive to the successful negotiation of the Inter-American defense treaty which the United States considered so essential. Messersmith again recommended that serious consideration be given in the highest levels of government to the complete cancellation of Latin American lend-lease debts.⁴⁰

In May, 1946, prior to departing Mexico to assume the post of Ambassador to Argentina, Messersmith for the third time strongly urged the State Department to reconsider its policy of insisting on lend-lease repayment by the Latin Americans. The countries of the Americas, the Ambassador argued, should at least be treated with equity and released from their obligations as the Europeans and others had been.⁴¹

³⁹ Foreign Relations of the United States, 1945, George S. Messersmith to Secretary of State James F. Byrnes, October 12, 1945, Vol. 9, pp. 1119-1125.

⁴⁰ Ibid.

⁴¹ Foreign Relations of the United States, 1946, George S. Messersmith to James F. Byrnes, May 2, 1946, Vol. 11, pp. 978-985.

It was not until he had been replaced in Mexico by Walter Thurston that the State Department replied to Messersmith's request for re-examination of its lend-lease policy. "It is the established policy of the United States Government," the Department stated, "to continue to require payment in full of sums due on account under the lend-lease agreement with the American republics. This is a definite policy which has been specifically reaffirmed and is not being considered for revision. It applies and will continue to apply in the case of Mexico."⁴² The Department said it knew of no reason why Mexico should not pay for the material she had received. Finally on December 14, 1946, the American Embassy in Mexico was notified that the Government of that country was disposed to negotiate a lend-lease settlement in accordance with the revised agreement of March 18, 1943.

During the immediate post-war years the United States concluded lend-lease settlement agreements with the majority of those countries which had received military assistance during the war. With the exception of the Latin American Republics most of the allies were not asked to make payment for the equipment delivered to them by the United States prior to the cessation of hostilities. The lend-lease settlement with Norway stated: "Following the pattern of most previous settlements, the United States asks no payment for lend-lease supplies used up before V-J Day or held by the Norwegian armed forces" as of the defeat of Japan.⁴³

In his annual lend-lease report to Congress dated October 3, 1951, which covered the period from April 1, 1950, to March 31, 1951, President

⁴²Foreign Relations of the United States, 1946, Secretary of State to Ambassador in Mexico (Thurston), November 26, 1946, Vol. 11, pp. 986-987.

⁴³U. S., Department of State Bulletin Vol. 18, No. 453, (Washington, March 7, 1948), p. 307.

Truman revealed that a final settlement had been signed with Mexico.⁴⁴ Although the agreements with most countries, including Brazil, were printed in the State Department Bulletin the terms of the Mexican settlement were not released. An 1970 inquiry to the State Department's Office of Mexican Affairs revealed that the terms of the agreement still have not been made public even though the issue has been settled for some time. This would seem to indicate that the final arrangement was for less than the amount called for under the 1943 agreement. The only information that the American Government has released is that payments from Mexico were accepted in local currency and used to meet United States operating expenses in Mexico.⁴⁵

Although the controversy over Mexico's lend-lease payments caused concern to both Governments, it never became a divisive factor during the war, nor was it permitted to tarnish the picture of two friends joined together in a common cause. Civilian and military officials in Washington noted with pleasure that Mexican lend-lease requisitions were modest, and the materials requested were necessities rather than ornaments or prestige items. The United States supplied Mexico with as much military equipment as was possible under the circumstances, and as Ambassador Messersmith testified, "the material which was furnished was used in the most effective way and was carefully maintained in excellent condition."⁴⁶

⁴⁴U. S., Department of State Bulletin Vol. 25, No. 642 (Washington, October 15, 1951), p. 631.

⁴⁵U. S., Department of State Bulletin Vol. 25, No. 633 (Washington, August 13, 1951), p. 260.

⁴⁶Unpublished Memoirs of George S. Messersmith, Vol. 3, No. 18, University of Delaware, p. 12.

CHAPTER V

THE MIGRATION OF MEXICAN WORKERS TO THE UNITED STATES

Following the sudden and unexpected Japanese attack on Pearl Harbor the task of adjusting to a wartime economy was thrust upon the people of the United States. Immediately the nations largest industries began converting the output of their plants and factories to meet the needs not only of America's armed forces but also of its allies all over the world. The urgent demand for increased production and the entrance of hundreds of thousands of young men into the military service caused an acute labor shortage in many industrial centers which was partially alleviated by the migration of workers from agricultural areas to the cities. While helping to solve one problem, this movement contributed to another, as many of the country's farmers found themselves without adequate labor to harvest their crops.

The sugar beet growers in California and Montana who were the first to experience a scarcity of agricultural workers quickly petitioned their representatives in Washington to raise with the State Department the idea of importing Mexican labor to salvage their harvests. It was not at all surprising that California should be plagued with this problem since, in addition to losing farm workers to the military and to industry, she lost thousands more when security precautions dictated the relocation of Japanese nationals farther away from the Pacific Coast.

Senator Sheridan Downey (D., Cal.) with the consent of Under Secretary of State Sumner Welles wrote an informal note to Ambassador Castillo Nájera in April, 1942, requesting him to explore the possibility of Mexico furnishing badly needed labor to the United States farm industry.

The Senator said that such assistance would greatly aid the American people in their program of national defense, and he pledged every protection to the Mexican workers should they be permitted to come.¹ The following month, Senator James E. Murray (D., Mont.), in requesting immediate efforts be made to secure Mexican labor, advised Secretary of State Cordell Hull that farmers in his state would have to begin plowing up land already planted to sugar beets if additional harvesters were not available within ten days.²

The idea of acquiring farm workers in Mexico was not new. For years thousands of Mexicans had illegally entered the United States both as permanent and seasonal agricultural laborers. The Immigration Law of 1924 exempted the nationals of Latin American countries from quota restrictions, but most Mexican workers were unable to obtain visas because they did not meet the self-support or employment specifications of the law.³ Since high levels of unemployment existed in their own country and opportunity awaited them in the "paradise" to the north, a great many Mexicans clandestinely entered the United States looking for work. The majority crossed the border by wading the Rio Grande River, thus receiving the name "wetbacks."

When it became known that several legislators were pressuring the State Department to negotiate an agreement permitting the immediate entrance of Mexican laborers into the United States, the Secretary General

¹Senator Sheridan Downey to Ambassador Castillo Nájera, April 13, 1942, Department of State Records, National Archives, Record Group 59. Hereafter referred to as State Department Records, NA, RG59.

²Senator James E. Murray to Cordell Hull, May 21, 1942, State Department Records, NA, RG59.

³J. Lloyd Mechem, A Survey of United States-Latin American Relations (Boston: Houghton Mifflin Company, 1965), p. 374.



of the Confederation of Mexican Workers announced that his organization would not oppose such a plan provided satisfactory arrangements could be made governing wage scales, duration of work, and return of the laborers to Mexico upon completion of their contracts.⁴ The Confederation felt the migration of workers to the United States was at least a partial solution to Mexico's unemployment problem.

Not everyone in the afflicted western states was in favor of importing labor from south of the border. The Federation of Spanish American Voters of California in a letter to President Roosevelt announced it was unequivocally opposed to legislation which would allow Mexican workers to enter the United States. The Federation claimed there were already sufficient farm laborers in California and that cheap imported labor was always treated badly.⁵ The United States Employment Service did not agree with the Spanish American Voters, and after a careful survey of the beet growing areas certified that a shortage of 6,000 workers existed.

Secretary of Agriculture Claude R. Wickard strongly urged Secretary of State Hull in late May, 1942, to do all in his power to arrange for the importation of Mexican labor. He cautioned that immediate action was necessary if the twenty-five percent increase in agricultural production called for by the Federal Government was to be realized.⁶ By the middle of the following month the labor situation in the Southwest had further deteriorated. Culbert T. Olsen, Governor of California, notified Secretary Hull that his state was suffering from a shortage of 20,000

⁴Novedades, April 16, 1942.

⁵Federation of Spanish American Voters of California to President Roosevelt, April 23, 1942, State Department Records, NA, RG59.

⁶Secretary of Agriculture to Secretary of State, May 29, 1942, State Department Records, NA, RG59.

farm workers, and the prospects of a successful harvest were becoming bleaker every day. Governor Olsen, in urging Paul V. McNutt, Director of the War Manpower Commission, to support the importation of Mexican laborers, stated: "Without a substantial number of Mexicans the situation is certain to be disastrous to the entire victory program, despite our united efforts in the mobilization of youth and city dwellers for emergency farm work."⁷ One study conducted by the University of California indicated that California alone would need 159,000 additional workers by October, 1942.

Ambassador Messersmith was instructed on June 8, 1942, to raise with Foreign Minister Padilla the question of the temporary immigration to this country of Mexican agricultural workers. The Ambassador was to stress how reluctant his Government was to make such a request, but was doing so because war measures dictated that food production not only be maintained, but also increased in spite of the fact that large numbers of laborers were being lost to the military. Although in the past Mexican workers had encountered unsatisfactory working conditions and had been discriminated against in this country, Messersmith was to guarantee that the United States Government would make every effort to see this situation did not recur if laborers were made available to help meet the existing emergency.⁸

Since Foreign Minister Padilla was not in Mexico City at the time, Ambassador Messersmith discussed the issue with the Deputy Foreign Minister, Jaime Torres Bodet. The latter said that this question raised several serious problems which his Government would need a certain amount

⁷The New York Times, June 16, 1942.

⁸Foreign Relations of the United States, 1942, Secretary of State to George S. Messersmith, June 8, 1942, Vol. 6, pp. 537-538.

of time to consider. He stressed the many instances of racial discrimination suffered by Mexicans in the United States which he felt the American Government could not prevent since they were the result of strong local feelings. The Mexican Government feared that a recurrence of these unfortunate episodes could impede the close collaboration existing between the two countries. In addition the Foreign Office was apprehensive of the internal effects that a temporary emigration of laborers would create. Many Mexicans would volunteer to work in the United States where they would receive a much higher wage than that paid in their own country. This would produce a certain amount of dislocation within the Mexican economy, since those applying to go to America would be not only the unemployed, but those already working who were enticed by the thought of getting rich in a land "flowing with milk and honey." When their temporary employment had ended, the workers would return to Mexico, many penniless after either wasting their earnings or losing them to swindlers, and they would be dissatisfied with the inferior working conditions and lower salaries which awaited them. In some cases the conditions of these workers on returning to Mexico would be worse than before they left, causing serious social and political problems for the Government. Mexico, Torres Bodet stressed, was sincerely interested in cooperating with the United States in alleviating her labor shortage and was seriously studying the problem from every angle in order to arrive at a mutually agreeable solution, which would neither interfere with the collaboration between the two Governments nor contribute to internal instability in either country.⁹

⁹Foreign Relations of the United States, 1942, George S. Messersmith to Secretary of State, June 23, 1942, Vol. 6, pp. 540-545.

Secretary of Agriculture Wickard, while attending the Inter-American Agricultural Conference in Mexico in early July, 1942, spoke with President Camacho of the serious farm labor problem faced by the United States. At first, the Mexican Chief Executive expressed doubt as to whether it would be wise for him to send workers abroad, in view of his own country's increased production program, but he finally agreed that as a measure of wartime cooperation his Government would be prepared to allow laborers to temporarily emigrate to the United States. In reporting the President's decision to the State Department, Ambassador Messersmith warned that in accordance with the wishes of the Mexican Foreign Office negotiations would have to take place strictly on a government-to-government basis. Mexico did not want to deal with any local or state agencies. Messersmith recommended that calculations on the number of workers needed be kept small at first since high estimates could endanger the program for subsequent years when United States requirements would be even larger.¹⁰

Two officials from the Department of Agriculture, David Meeker, Assistant Director of the Office of Agriculture War Relations and John O. Walker, Assistant Administrator of the Farm Security Administration, were immediately sent to Mexico to begin negotiations with their counterparts, E. Hidalgo of the Foreign Office and Abraham J. Navas from the Department of Labor and Social Provisions. The American delegation was augmented by the addition of Joseph F. McGurk, Counselor of the United States Embassy in Mexico City. Discussions were carried out in a cordial and statesmanlike manner with the final arrangement being approved in a surprisingly short time.

In the Executive Agreement signed on August 4, 1942, the Mexican

¹⁰George S. Messersmith to Cordell Hull, July 15, 1942, State Department Records, NA, RG59.



Government declared that no obstacles would be placed in the path of any of its nationals who desired to temporarily emigrate to the United States to alleviate that country's agricultural labor shortage provided an individual contract was signed with each worker affording him certain guarantees. Under the terms of the agricultural arrangement, it was specifically agreed Mexican workers coming to the United States would not be liable for compulsory military service nor would they be made to suffer discrimination of any kind. The American Government would provide the laborers with transportation both to and from the United States and guaranteed each worker would be repatriated when his individual contract expired. It was stated in the agreement that the Mexicans would not be used to displace American workers nor for the purpose of lowering previously established wage scales. Each laborer would sign a contract of six months duration with the Farm Security Administration of the Department of Agriculture under whose auspices the labor immigration program was to be carried out, and the latter would in turn sign a subcontract with the farm owners wishing to employ Mexican workers.¹¹

The agreement provided that the Mexicans would be employed exclusively as agricultural laborers and would be paid the same wages as other laborers were paid for the same type of work, but in no case would the wage paid the Mexicans be less than thirty cents per hour. To insure they did not arrive home empty-handed, ten percent of their salary was withheld each week, to be paid when they returned to their own country. Housing conditions and sanitary and medical services provided for the workers entering the United States under this program were to be identical to those received by other laborers in the localities where the Mexicans

¹¹U. S., Department of State, Executive Agreement Series No. 278 (Washington, 1943), pp. 4-13.



were employed. The agreement strictly prohibited the contracting of children under fourteen years of age. Each Government retained the right to unilaterally renounce the understanding by notifying the other Government ninety days in advance of the effective date of its renunciation.¹²

Since it was impossible to determine at the time the agreement was signed the exact number of Mexican workers the United States would need, it was stated the United States would periodically notify the Mexican Government of its needs, and the latter would determine in each instance how many agricultural laborers could leave the country without adversely affecting the national economy.¹³ Ambassador Messersmith informed the Mexican Foreign Office that his Government was attempting to contract a maximum of 5000 workers before the end of 1942 to be employed only in California and Arizona for the harvesting of sugar beets and cotton.¹⁴

In order to secure workers under this agreement, American farmers in a region where a manpower shortage existed would report their needs for laborers to the local office of the United States Employment Service. If this agency, after appropriate investigation, discovered that the domestic supply of workers could not meet local demands, it informed the Farm Security Administration of the shortage and certified the number of Mexican workers needed. The Farm Security Administration then proceeded to negotiate contracts with the farmers in the area, thus firmly establishing the demand for an exact number of laborers. The recruiting of workers was controlled by the Mexican Government, and until 1943 was

¹²U. S., Department of State, Executive Agreement Series No. 278 (Washington, 1943), pp. 4-13.

¹³Ibid.

¹⁴George S. Messersmith to Foreign Minister Padilla, August 19, 1942, State Department Records, NA, RG59.



done exclusively in Mexico City where labor was more plentiful than in other parts of the country. At the recruiting stations personnel from the United States Immigration Service, the Public Health Service and the Farm Security Administration worked in cooperation with a similar team of Mexican officials.¹⁵ The Public Health Service examined all Mexicans recruited for service in the United States to insure their physical fitness and cared for them while they were in America.

The recruitment of agricultural workers began in early September, 1942, and progressed satisfactorily throughout the remainder of the year. Secretary of Agriculture Wickard suggested that the manpower shortage could be further alleviated if the Mexican Government would permit farm workers to cross the border and return each day without coming under the provisions of the agricultural labor agreement.¹⁶ This possibility was explored with the Foreign Office and rejected by the latter which strongly opposed any worker migration outside of the formal understanding.

Ambassador Messersmith was informed by the State Department in early 1943 that it was estimated the United States would require 50,000 Mexican farm workers before the year ended, and the Ambassador was directed to seek the approval of the Mexican Government to the recruiting of that number of laborers.¹⁷ While the Camacho Administration was considering this new request for additional workers, it was announced in early February that due to disorganization within the Mexican Ministry of Labor further recruitment would be suspended until the departmental problem

¹⁵Cordell Hull to American Consul General in Mexico (Blocker), October 29, 1942, State Department Records, NA, RG59.

¹⁶Secretary of Agriculture Wickard to George S. Messersmith, November 2, 1942, State Department Records, NA, RG59.

¹⁷Foreign Relations of the United States, 1943, Cordell Hull to George S. Messersmith, January 1, 1943, Vol. 6, p. 531.



could be solved. This stoppage in recruiting caused a great deal of concern in the agricultural areas of the southwestern United States where the large landowners pleaded with their elected representatives in Washington to do everything possible to facilitate the uninterrupted movement of workers from Mexico. In March President Camacho appointed a new Minister of Labor who immediately supervised a complete turnover of personnel within his Department. At the same time the Mexican President directed that members of his Government must collaborate fully in supplying the United States with the greatest number of workers possible under the August fourth accord.¹⁸ On March 15 the Foreign Office announced recruiting of Mexican workers could be resumed the following day.

Both the Mexican Government and the Mexican press reported quite favorably on the initial results of the migratory labor program as the first contingent of workers returned home following six months of service in the United States. One member of a Mexican presidential commission sent to California to examine the working and living conditions of the immigrant laborers stated that while they were not in a paradise, the conditions under which the Mexicans were working were at least as good and in many cases better than those they had left in their own country. When problems did arise the member reported, they were quickly solved with the help of officials of the Farm Security Administration.¹⁹ Luis Padilla Nervo, Mexican Under Secretary of Labor, said on March 31, 1943, that he had not received a single complaint from any of the returning workers. "It is made clear," Padilla Nervo stated, "that the Mexican

¹⁸Foreign Relations of the United States, 1943, George S. Messersmith to Cordell Hull, March 16, 1943, Vol. 6, pp. 539-540.

¹⁹American Chargé d'Affaires in Mexico to Secretary of State, February 26, 1943, State Department Records, NA, RG59.



laborers who are now in the United States are being treated most justly and they are receiving every attention.... In this as in all other matters that the two countries, Mexico and the United States, attend, there is a sentiment of cordial cooperation."²⁰ The Mexican press reported that the great majority of laborers who had fulfilled their contracts in the United States were highly satisfied since the American Government had strictly adhered to the migratory worker agreement. The returning farm laborers presented a petition to the Ministry of Labor asking that consideration be given to their previous service when future contingents of workers were sent to the United States.²¹

No sooner had the recruiting of farm workers begun again in Mexico City than the continuation of the agreement itself was seriously jeopardized. A joint resolution was being considered by the United States Congress which, if adopted, would take the administration of the labor pact from the Farm Security Administration and place it in the hands of individual state agencies. This possibility seriously concerned the Mexicans who had the utmost confidence the agreement would be fairly administered by the Federal Government, but questioned the ability and the will of California, Arizona, New Mexico and Texas authorities to grant equitable treatment to Mexican workers. While neither the Foreign Office nor the Mexican Embassy in Washington flatly stated the arrangement would be renounced if the legislation were passed by Congress, the implication was clear.²²

²⁰Foreign Relations of the United States, 1943, Memorandum by Division of American Republics, April 20, 1943, Vol. 6, pp. 545-546.

²¹George S. Messersmith to Cordell Hull, March 8, 1943, State Department Records, NA, RG59.

²²Memorandum of Telephone Conversation between State Department and Mexican Embassy, March 15, 1943, State Department Records, NA, RG59.



The State Department relayed the fears expressed by the Mexican Government to Congressional leaders who immediately began the task of revising the bill. On April 8, 1943, Senator Carl Hayden (D., Ariz.), representing one of the states which would suffer most should the Mexican Government prohibit its workers from coming to the United States, declared:

"No legislation is contemplated which would make any provision with respect to the Mexican Agreement, except to allow it to operate."²³

That same day Congress passed its substitute resolution on supply and distribution of farm labor which allowed the administration of the Mexican agreement to remain with the Federal Government.

One week after Congressional action on the farm labor bill, Ambassador Messersmith informed the State Department that President Camacho had given his approval to the recruiting of up to 50,000 workers during 1943. However, the Mexican Government made it quite clear this was the maximum number that could be authorized since the contracting of more than 50,000 might adversely affect the Mexican domestic economy and could also produce political repercussions.²⁴

The War Food Administration (WFA) was established by President Roosevelt in Executive Order 9334 of April 19, 1943, and was charged, among other things, with the responsibility for carrying out the farm labor program. This same order stipulated that the Farm Security Administration was to be transferred from the Department of Agriculture to the War Food Administration.²⁵

²³U. S., Congressional Record, 78th Congress, 1st sess., Vol. 89, No. 65 (April 8, 1943), p. 3208.

²⁴Foreign Relations of the United States, 1943, George S. Messersmith to Cordell Hull, April 15, 1943, Vol. 6, pp. 543-544.

²⁵Administrator, War Food Administration (Davis) to Secretary of State, May 15, 1943, State Department Records, NA, RG59.

By an exchange of notes between Mexico and the United States dated April 26, 1943, the migratory labor agreement was modified. The modification did not basically change the provisions of the accord, but served to put in writing clearer statements on procedures than were found in the original pact.²⁶ At the time of the exchange of notes approximately 15,000 Mexican workers were employed under the terms of the agreement largely in the states of California, Arizona and Washington. Recruiting was being expedited in Mexico City so as to contract the maximum number permitted prior to the peak fall harvest.

Paul V. McNutt, Chairman of the War Manpower Commission (WMC) had recommended to the State Department as early as December 26, 1942, that an arrangement similar to the agricultural pact be made with Mexico which would permit the entrance into the United States of large numbers of workers for the western railroads. The Department, wishing to insure that the agricultural recruiting began the new year on a solid footing, advised McNutt that it would be unwise to bring up the matter at that time, but did not discount the possibility of future negotiations at a later date.²⁷

As was the case with the farm labor agreement certain groups within the United States opposed the immigration of Mexican railroad workers. Representatives of the Brotherhood of Maintenance of Way Employees stated that adequate domestic labor was available for railway maintenance jobs provided reasonable wages were offered. They charged the railroads were only concerned with procuring cheap labor when they sought workers

²⁶U. S., Department of State Bulletin Vol. 8, No. 201, (Washington, May 1, 1943), p. 377.

²⁷Cordell Hull to George S. Messersmith, January 6, 1943, State Department Records, NA, RG59.



from Mexico.²⁸ Railroad officials on the other hand said local manpower was insufficient and warned service could not be maintained if Mexican workers were not contracted.

During a visit to Washington in late January, 1943, Ambassador Messersmith spoke with the Chairman of the WMC who informed Messersmith that he was under great pressure to obtain a large number of railroad workers, possibly as many as 100,000. The Ambassador informed McNutt that since a maximum of 50,000 agricultural workers might be recruited during the year, it was doubtful the Mexican Government would agree to supply more than 10,000 maintenance of way workers.²⁹ The two men agreed that the time had come to raise with President Camacho's Administration the possibility of the United States acquiring railroad workers in Mexico, and after further discussions within the State Department, the American Embassy in Mexico City was directed on January 28, 1943, to approach the Foreign Office with a proposal for securing labor for use on railroads in the Southwest and possibly in copper mines in the same area.³⁰ The Embassy was informed that the WMC certified an immediate shortage of 3,000 laborers existed and estimated that an additional 6,000 would be needed in the near future.

Shortly thereafter Joseph B. Eastman, Director of the Office of Defense Transportation, notified Secretary Hull he had held extensive

²⁸Memorandum of Conversation, Secretary-Treasurer of the Brotherhood of Maintenance of Way Employees and Officials of the Division of American Republics, January 7, 1943, State Department Records, NA, RG59.

²⁹Memorandum of Conversation, Paul V. McNutt and George S. Messersmith, January 27, 1943, State Department Records, NA, RG59.

³⁰Foreign Relations of the United States, 1943, Secretary of State to Chargé d'Affaires in Mexico (Bursley), January 28, 1943, Vol. 6, p. 538.



talks with railway labor and management which failed to produce a satisfactory solution to the manpower shortage affecting the nation's railroads. In Eastman's opinion the problem could only be met by the temporary immigration of Mexican workers to this country, and he recommended negotiations with the Mexican Government for that purpose be expedited.³¹

It was precisely at this time that the recruiting of agricultural labor had been suspended by the Mexican Government due to internal problems within the Ministry of Labor, and Ambassador Messersmith considered it unwise to put too much pressure on the Foreign Office for a railway workers agreement until the contracting of farm laborers had recommenced. Foreign Minister Padilla also shared this view. As soon as recruiting of agricultural workers began again in Mexico City, the Foreign Office informed the American Embassy that it was prepared to discuss a possible arrangement for recruiting unskilled, non-agricultural workers. The WMC immediately sent Arthur W. Motley, Chief of its Employment Office Service Division, to Mexico as its representative in the upcoming negotiations.

By the end of April it was announced by both Governments that an understanding on the recruiting of non-agricultural labor had been reached. In an exchange of notes on April 29, 1943, it was agreed with respect to the departure from Mexico of non-farm workers: "There shall govern in understandings reached by agencies of the respective Governments the same fundamental principles which have been applied here to the departure of farm labor."³² Under this agreement the workers received

³¹Director of Office of Defense Transportation (Eastman) to Secretary of State, February 27, 1943, State Department Records, NA, RG59.

³²U. S., Department of State, Executive Agreement Series No. 376 (Washington, 1943), p. 1.



the same guarantees with regard to wages, housing and sanitation, food, transportation, exemption from military service, and repatriation as did the agricultural laborers.

The original authorization given by the Mexican Government under the non-agricultural agreement was for the contracting of 6,000 unskilled railway workers. Ambassador Messersmith reported it was possible additional recruiting would be permitted once the initial 6,000 had been contracted. As was the case with the farm laborers, the Foreign Office insisted that all recruiting of railway workers take place in Mexico City. The Camacho Administration was very reluctant to allow recruiting outside the capital where it would be difficult to control and where unscrupulous persons might attempt to exploit the workers for their own personal gain. In addition, the Mexican Government lacked a sufficient number of trained personnel to supervise the recruiting process at several locations.³³

The signing of the non-agricultural agreement with Mexico revived hope in the United States that the Mexican Government would permit mine workers to immigrate temporarily to this country for employment in the mines of the western states. Along with the agriculture and transportation industries, the copper mining industry in the United States experienced labor shortages due to military induction and large-scale movements of workers to defense manufacturing plants. Since copper was one of the most important strategic minerals during the war years, the War Department decided to release experienced copper miners already inducted into the Army to allow them to return to their previous occupations. As early as November 2, 1942, Chairman McNutt of the WMC advised the State Department that strenuous efforts should be made to secure permission from the

³³Foreign Relations of the United States, 1943, George S. Messersmith to Cordell Hull, April 30, 1943, Vol. 6, pp. 548-550.

Mexican Government for the recruiting of about 10,000 mine workers in Mexico for use in Arizona and New Mexico.³⁴

The American Embassy was directed by the State Department to discuss with the Foreign Office the possibility of acquiring mine workers in Mexico. Ambassador Messersmith replied that due to the programs of increased mineral production in Mexico, which the United States had readily supported, there were no unemployed mine workers in the country. The Ambassador expressed surprise that the State Department would even consider recruiting mine workers in Mexico when Mexican production of strategic materials was so important to the United States war effort.³⁵ Messersmith reported the operation of mines in Mexico was handicapped by manpower shortages, and any emigration of workers would make it impossible for Mexico to maintain, let alone increase, the mineral production desired by the United States. The Ambassador strongly recommended this idea be dropped.³⁶

The State Department did not again seriously consider approaching the Mexican Government in this regard until after the non-agricultural agreement of April 29, 1943. However, two months earlier the War Department stated quite clearly its interest in getting unskilled mine workers from Mexico. In a letter to the State Department, Under Secretary of War Robert P. Patterson wrote: "If we are going to fight a United

³⁴Chairman War Manpower Commission to Secretary of State, November 21, 1942, State Department Records, NA, RG59.

³⁵George S. Messersmith to Cordell Hull, November 23, 1942, State Department Records, NA, RG59.

³⁶George S. Messersmith to Cordell Hull, December 7, 1942, State Department Records, NA, RG59.



Nations war, there must be some way of utilizing United Nations manpower."³⁷

Following the non-agricultural understanding, James F. Byrnes, Director of the Office of War Mobilization, requested that the Mexican Government again be urged to permit mine workers to enter the United States under the April agreement. Ambassador Messersmith was instructed to raise the issue with the Camacho Administration, and after discussing it thoroughly with officials of the Foreign Office he informed the State Department that the Mexican Government considered it unwise to permit the contracting of labor for employment in copper mines in the United States.³⁸ On July 22, 1943, Secretary Hull informed Messersmith that the shortage of non-ferrous miners in the United States had reached such a critical stage that a personal appeal for mine workers from President Roosevelt to President Camacho was being considered, and the Ambassador's view on such an appeal was requested. Messersmith replied that in his opinion it would be utterly impossible for the Mexican President to deviate from the course he had already taken on this issue, and that it would cause Camacho a great deal of embarrassment to respond negatively to President Roosevelt's request. The Mexican Chief Executive, Messersmith cautioned, had been following the labor situation in his own country quite closely and was convinced that any movement of mine workers to the United States would have a most upsetting effect on the Mexican labor market and would be detrimental to his country's strategic material production program.³⁹ The Ambassador strongly urged such an appeal not

³⁷ Under Secretary of War (Patterson) to Assistant Secretary of State (Berle), January 22, 1943, State Department Records, NA, RG59.

³⁸ Foreign Relations of the United States, 1943, George S. Messersmith to Cordell Hull, July 20, 1943, Vol. 6, p. 560.

³⁹ Foreign Relations of the United States, 1943, Assistant Secretary of State (Acheson) to Director of the Office of War Mobilization (Byrnes), July 24, 1943, Vol. 6, pp. 562-563.



be made and the idea of securing mine workers in Mexico was never again seriously contemplated.

Employers throughout the United States seemed to feel that the unskilled non-agricultural agreement with Mexico presented them with unlimited opportunities for obtaining workers, and they besieged the State Department with requests for acquiring, among other things, tailors, lumbermen, unloaders of freight cars, dental technicians, chauffeurs, caulkers, cow hands, lambers, sheep herders and camp tenders. With the exception of about 100 cow hands for Arizona and about 1,100 lambers, sheep herders and camp tenders for Wyoming, Montana and Colorado, which were all charged against the agricultural quota, the Mexican Government permitted only farm and railroad workers to migrate to the United States.⁴⁰

No sooner had recruiting begun under the non-agricultural agreement when a situation arose which threatened the very existence of both labor migration programs. On May 14, 1943, Ambassador Messersmith informed the State Department that the recently appointed Under Secretary for Foreign Affairs, Manuel Tello, had called at the Embassy to protest against what he termed the "indiscriminate recruiting" of Mexican nationals outside of the existing agreement by United States Immigration Officials in the Juarez-El Paso area. The immigration office in El Paso reported it was documenting Mexican workers for a one year stay in the United States under authority contained in Public Law 45 of April 29, 1943, which appropriated \$26.1 million for recruiting and transporting of additional labor in those areas experiencing manpower shortages.⁴¹

⁴⁰Cordell Hull to George S. Messersmith, August 4, 1943, State Department Records, NA, RG59.

⁴¹Foreign Relations of the United States, 1943, Division of American Republics (McGurk) to George S. Messersmith, May 15, 1943, Vol. 6, pp. 551-552.



Tello said in his opinion the Mexican Government was prepared to authorize even further increases in labor recruiting under the existing agreements, but if further contracting outside of the understandings continued, the agreements would come to an end because they would lose their significance and it would be foolish for his Government to continue expending money in the examination and recruiting of laborers if the United States chose to contract workers along the border.⁴²

Messersmith reported the concern of the Mexican Government was much deeper than Tello had allowed himself to indicate, and he was sure that if the United States persisted in undermining the international agreements with domestic legislation, Mexico would become justifiably annoyed and renounce the migratory labor program. Avila Camacho remembered vividly how, during the First World War, thousands of his countrymen without any guarantees had migrated to the United States to alleviate the American employment problem only to become destitute and impoverished when the war had ended and work was no longer plentiful. For several years after the war the Mexican Government spent large sums of money repatriating its citizens. President Camacho was determined this situation would not be repeated, and he insisted that Mexican laborers proceed to the United States only when protected by the agreements.⁴³

Continued recruiting under Public Law 45 compelled the Mexican Government to instruct Ambassador Castillo Nájera in Washington to inform Under Secretary Welles that the entrance of Mexican laborers into the United States, outside of the agreements, and sanctioned by American

⁴²Foreign Relations of the United States, 1943, George S. Messersmith to Cordell Hull, May 14, 1943, Vol. 6, pp. 550-551.

⁴³Foreign Relations of the United States, 1943, George S. Messersmith to Cordell Hull, June 8, 1943, Vol. 6, pp. 554-556.



immigration officials, had reached such proportions that consideration was being given in the Ministry of Gobernación to closing the border. The Ambassador was further directed to say his Government considered the recruiting of workers by immigration officials contrary to the spirit of the understandings effected by the exchange of notes between Mexico and the United States, and should such recruiting continue the Mexican Government would unhappily be forced to renounce the agreements and close the border.⁴⁴ President Camacho considered the excellent relations existing between Mexico and the United States were too important to jeopardize by subjecting unprotected Mexican workers to inevitable exploitation which would force him to take unfortunate counter actions.

The prospect of having the Mexican border closed with the attendant loss of thousands of workers caused great concern in Washington and prompted State Department officials to meet with representatives of the Immigration Service and the War Food Administration to see what steps could be taken to satisfy Mexican demands. One of the officials of the WFA at the conference held on May 22, 1943, became quite indignant at the idea of Mexico refusing to allow workers to be recruited outside of the labor agreements. He stated that Mexico was in a position to furnish as many laborers as were needed, and without further nonsense the United States should inform the Foreign Office how many workers were required and demand they be supplied. Assistant Secretary of State Breckinridge Long quickly discarded that suggestion by explaining the basic international facts of life, stressing that United States jurisdiction ended precisely at the border. It was finally decided by those in attendance to cease recruiting outside of the formal understandings and to petition

⁴⁴ Foreign Relations of the United States, 1943, George S. Messersmith to Cordell Hull, May 19, 1943, Vol. 6, pp. 552-553.



the Mexican Government to open recruiting stations along the border so that contracting could take place there under the terms of the two agreements.⁴⁵

For the reason already discussed President Camacho was unwilling to accede to this request, but was disposed to compromise by opening stations in Guadalajara for the recruiting of all railroad workers, thereby leaving all the facilities in Mexico City for the contracting of farm labor. This plan would permit the documenting of as many as 3,000 agricultural workers per week. The United States agreed to accept this offer and also decided to discuss with the Mexican Government an increase in the 1943 farm laborer quota which at that time stood at 50,000.⁴⁶ On May 28, the Attorney General notified immigration officials: "Effective immediately, nationals of Mexico are not to be admitted as agricultural workers under the provisions of Public Law 45...unless they present written consent of the Federal Government of Mexico to emigration for that purpose."⁴⁷

As of the beginning of June, 1943, Texas had not received any Mexican workers under the terms of the international agreements, but 2,044 laborers had been documented for work in Texas under Public Law 45. Now that the Justice Department had taken steps to insure that no additional Mexican labor would be made available from the latter source, Texas suddenly became dependent on the understandings with Mexico to supply badly needed manpower, and Foreign Minister Padilla decided the time was right to bring pressure to bear on Texas to abandon its arbitrary and

⁴⁵Memorandum by Division of American Republics, May 28, 1943, State Department Records, NA, RG59.

⁴⁶Ibid.

⁴⁷Cordell Hull to George S. Messersmith, May 28, 1943, State Department Records, NA, RG59.



discriminatory treatment of Mexican nationals. Realizing that powerful labor forces in Texas were urging state officials to secure additional workers, and that if a definite stand were not taken the situation would only become worse, Padilla decided to make the sending of his countrymen to Texas contingent upon their receiving equal treatment in that state. One American news source reported on the Texas treatment of Mexicans in this way:

There are about a million people of Mexican extraction in Texas. In much of the state they are forced to ride in Jim Crow cars, use Jim Crow toilets, go to separate 'SPIK' schools and restaurants. Even Mexican Consuls have been treated as if they were unfit to associate with any white Texan....Many leading Mexicans will never forget or forgive the insulting treatment they have received in Texas.⁴⁸

In mid-June the Mexican Government issued orders to its Consuls that none of its nationals should be sent into Texas under the labor agreements due to persistent cases of racial discrimination. Foreign Minister Padilla in a public statement outlined several instances of prejudicial treatment of Mexicans in Texas, and called on state officials to spare no effort in rectifying the situation. Padilla promised if the attitude of the people in Texas toward his people improved his Government would reexamine its policy of prohibiting Mexicans from entering the state.⁴⁹ At least some Texans realized that Padilla was speaking the truth and resolved to bring about a change in the treatment of their Mexican neighbors. The citizens of Laredo, Texas in an open letter to the press commented on the Foreign Minister's speech:

⁴⁸Time Magazine, February 10, 1944.

⁴⁹Foreign Relations of the United States, 1943, Memorandum by the Division of American Republics (MacLean), June 30, 1943, Vol. 6, pp. 556-557.



A statement like that years ago would have caused a great deal of resentment here in Texas but strange as it seems from our Governor on down our own six million people in Texas realize that you are merely telling the truth and the high esteem in which you and your great President are held in Texas as throughout our nation, we merely started putting our own house in order which we know was long past due as you have publicly stated.⁵⁰

As the shortage of labor in Texas became more acute, state officials began to take steps to curb instances of racial discrimination, with the hope that the Mexican Government, on seeing the situation improving, would permit its laborers to enter the state. Governor Coke R. Stevenson issued a proclamation on June 25, based on a concurrent resolution of the Texas Legislature, declaring the Good Neighbor Policy had been adopted as an official policy of Texas. "The policy of this state," said Stevenson, "consists in giving equal and complete comfort, advantages and privileges in all public places of business and entertainment to the Mexicans and other Latin American residents or visitors in this state."⁵¹ In addition a fund was established by concerned Texas land owners to combat, in the courts if necessary, instances of discrimination.

Ambassador Messersmith reported on July 20, after discussing the Texas problem with Padilla, that the Foreign Minister was giving serious thought to allowing Mexican workers to enter Texas although he realized this reversal of position would not be universally popular in his country. All of the major newspapers in Mexico City, including the usually pro-American Excelsior, El Universal and El Popular, had bitterly condemned the treatment of Mexicans in Texas and applauded the action of the Government in prohibiting its citizens from entering that state. Padilla,

⁵⁰The Laredo Times, August 19, 1943.

⁵¹La Prensa, June 27, 1943.



the Ambassador explained, was concerned that if Texas really needed laborers and if Mexico refused to allow workers to go to Texas, while permitting them to enter other states, thus in effect discriminating against Texas, the Texans might blame Mexico for any crop losses they experienced, and the treatment of Mexicans in Texas could become even worse.⁵² Since it appeared state officials were honestly attempting to improve the situation, Padilla was disposed to recommend to President Camacho that the ban against Mexicans entering Texas be lifted provided certain demands were met.

In late July an understanding was finally reached which paved the way for the entrance of Mexican laborers into Texas. Governor Stevenson agreed to send a letter, approved by the Mexican Foreign Office, to all Texas law enforcement agencies directing them "to be vigilant in repressing cases of discrimination" against Mexicans, and the Governor further consented to the establishment of a Good Neighbor Commission to study and act on any complaints of discrimination. As soon as Stevenson appointed the Commission, which he did on August 10, Padilla agreed to certify 5,000 Mexican workers for Texas provided they enter Texas from another American state and not directly from Mexico.⁵³

In reporting to the Mexican press the steps taken by the Mexican Government and Governor Stevenson to alleviate the problem of racial discrimination in Texas, Foreign Minister Padilla stated: "Realistically speaking, we need a combined effort in order that this flagrant contradiction

⁵²Foreign Relations of the United States, 1943, George S. Messersmith to Division of American Republics (McGurk), July 20, 1943, Vol. 6, pp. 560-562.

⁵³Foreign Relations of the United States, 1943, George S. Messersmith to Cordell Hull, August 4, 1943, Vol. 6, pp. 564-567.



to the ideological principles of the United Nations does not open a breach of mistrust and discredit in our continental life. Fortunately, never has the situation been as propitious as it is now for an effort of this kind."⁵⁴ Padilla's remarks were given wide and favorable coverage by the press which seemed to have been won over to the Foreign Minister's point of view.

Throughout the remainder of 1943 Mexico continued to permit increasing numbers of its citizens to enter the United States on a temporary basis in an effort to ease the critical labor shortage. In August permission was given to recruit 9,360 additional laborers under the non-agricultural pact bringing the allowable maximum to 15,360 under that agreement. On October 1, Ambassador Messersmith in a note to Ezequiel Padilla requested that permission be given for the recruiting of an additional 25,000 farm workers, which would raise the total under the agricultural understanding to 75,000. In making this request Messersmith stated that his Government considered the sending of workers to the United States to be "a significant expression of Mexico's collaboration in the war effort of the United Nations."⁵⁵ Three days later in answering the Ambassador's note Padilla replied that, "notwithstanding the sacrifice on the part of its national economy which the exodus of agricultural workers" signified, the Mexican Government as a measure of wartime cooperation was willing to increase the farm labor quota by 25,000 workers.⁵⁶

At the beginning of November Chairman McNutt of the WMC requested

⁵⁴George S. Messersmith to Cordell Hull, August 12, 1943, State Department Records, NA, RG59.

⁵⁵George S. Messersmith to Ezequiel Padilla, October 1, 1943, State Department Records, NA, RG59.

⁵⁶Ezequiel Padilla to George S. Messersmith, October 4, 1943, State Department Records, NA, RG59.



that the State Department explore the possibility of relocating about 10,000 agricultural workers into war essential industries during the winter months in those northern states where farming was impossible in the cold climate. Some of those industries suggested by McNutt were mining, smelting, logging, aircraft manufacturing, shipbuilding, etc. Ambassador Messersmith replied that the Foreign Office was very reluctant to discuss the transfer of farm workers to other industries where housing and sanitary facilities were not available as they were on the farms, and that it would much prefer that the laborers in the north be moved to southern states where they were needed on the farms and where agriculture was possible during the winter. In the Ambassador's opinion the industrial relocation would be unwise because some of the industries suggested by McNutt paid wages higher than the agricultural workers were receiving, and if they were transferred to better paying positions it would be very difficult in the spring to move them back to farming where the greater need for labor existed.⁵⁷

The State Department then suggested that perhaps the Mexican Government would not object during the winter months to transferring the Mexican agricultural workers from the northern states to the railroads where they would receive all the guarantees of the international agreement and where the living and working conditions were well known. Neither the Foreign Office nor Ambassador Messersmith considered this a satisfactory alternative. Messersmith recommended that the United States conform strictly to the exchange of notes with the Mexican Government. He reported that the Governors of many Mexican states were complaining bitterly to their Federal Government that the United States was taking

⁵⁷Foreign Relations of the United States, 1943, George S. Messersmith to Cordell Hull, November 22, 1943, Vol. 6, pp. 578-580.



all of the best farm workers from the country and leaving only the poorer ones for employment in their own nation. Any attempt by the Americans to use these laborers in any but agricultural endeavors would only cause more internal problems for President Camacho.⁵⁸ After receiving this report from its representative in Mexico, the State Department applied no further pressure to switch the workers.

Figures compiled by the State Department at the end of 1943 showed that 54,514 farm laborers and 15,376 railroad workers came to the United States from Mexico. A further breakdown of the latter figure as of the end of the year indicated 13,091 were actually employed, 541 were missing, 23 had died in the United States and 1,721 had terminated their contracts and returned to Mexico.

In the vast majority of cases American employers were highly satisfied with the work performed by the Mexican laborers. The turnover of Mexican workers in the railway industry during 1943 was 12 percent while the normal figure for domestic labor was greater than 100 percent, and had on occasion reached 200 percent.⁵⁹ A typical reaction to the work performed by the Mexicans was the resolution adopted by the farmers of the San Joaquin Valley in California who credited imported Mexican manpower with salvaging 15 percent of that state's 1943 harvest, thus avoiding a crisis which would have had a detrimental effect on the war food program. The California farmers expressed their "deep and heartfelt appreciation to the Republic of Mexico and its loyal people for this contribution to

⁵⁸George S. Messersmith to Division of American Republics, December 4, 1943, State Department Records, NA, RG59.

⁵⁹Memorandum, Division of American Republics, November 15, 1943, State Department Records, NA, RG59.



the cause of freedom."⁶⁰

In August, 1943, the United States received the first serious complaint from the Mexican Government alleging unequal treatment of its workers under the migratory labor agreements. The Foreign Office informed Ambassador Messersmith that the Santa Fe Railroad had, through the intermediation of contractors, employed many workers at wages varying between \$.65 and \$.875 per hour while Mexicans working right alongside these men and performing the same tasks received an hourly rate of \$.4825. The Ministry considered this wage differential a blatant violation of the labor agreements which guaranteed the Mexicans equal pay for equal work and warned that many Mexican railway workers were on the verge of cancelling their contracts. In replying to the Mexican charge the State Department acknowledged the existence of the situation, but declared itself powerless to increase the salary paid to the Mexicans because of wage controls applied by President Roosevelt in Executive Order 9250 of October 3, 1942.⁶¹

In addition to the wage dispute, Manuel Tello notified Ambassador Messersmith that the Mexican Government had received numerous adverse reports from railroad workers alleging poor food and housing, unsatisfactory sanitary conditions and lack of consideration for the welfare of the workers by those administering the program. Tello stated the position of the track workers was made even more intolerable by the fact that the agricultural workers were being treated so favorably in every regard. He said that he had prepared (but not sent) a directive which

⁶⁰Resolution of Associated Farmers of the San Joaquin Valley, California, November 10, 1943, Transmitted From War Food Administration to Secretary of State, January 5, 1944, State Department Records, NA, RG59.

⁶¹George S. Messersmith to Cordell Hull, August 2, 1943, State Department Records, NA, RG59.

instructed the Mexican Embassy in Washington to demand a transfer of all track workers either to agricultural positions or to other industries where all the guarantees of the agreements would be applied. Although Messersmith reported that the Mexican Government was seriously concerned over the treatment of the railway workers, he was sure an overall solution could be easily reached once the wage problem was settled.⁶²

In September the State Department was informed that President Camacho had tentatively agreed to increase the railway quota to 20,000, but as the salary dispute dragged on, the Mexican Government announced further recruiting of maintenance of way workers had been suspended. Although the Foreign Office simply stated contracting had stopped because the formally recognized quota of 15,360 had been reached, it was quite clear this was not the principal reason for the abrupt halt in recruiting. The Office of Defense Transportation was particularly concerned that the interruption in contracting of Mexican railway workers would seriously hinder the efforts of the western railroads to increase their service at a time when war production traffic was increasing in a westwardly direction.

The situation had become very serious by the end of October, 1943, and the Mexican Government remained adamant against the further documentation of railroad workers until the salary controversy was settled. Since the suspension had been placed in effect, six weeks had passed during which neither new laborers were recruited nor expiring contracts renewed. If the status quo were allowed to exist until the middle of November, the United States would lose half of the Mexican maintenance of

⁶²George S. Messersmith to Cordell Hull, August 20, 1943, State Department Records, NA, RG59.

way workers in the country due to contract expirations. In Mexico City great pressure was being put on the Ministries of Foreign Relations, Labor, and Gobernación to renounce the agreements due to publicized reports of worker maltreatment. At this juncture the American Embassy suggested to the Foreign Office that a commission consisting of two Mexicans and two Americans be established to examine the Santa Fe Railroad salary dispute and formulate a solution. The Mexican Government agreed to this proposal, declaring that when the commission was set up and the Santa Fe promised to abide by its decision, recruiting of railway workers could resume with the quota increased to 20,000. Ambassador Messersmith strongly urged the WMC to accept the settlement plan.⁶³

A few days after receiving Messersmith's proposal the WMC replied that it was unequivocally opposed to any solution which recommended the studying of a particular incident of alleged unfair treatment of workers, and suggested instead the commission confine its work to: 1) considering discrepancies in interpretation of the agreements, 2) recommending changes to the agreements, and 3) recommending procedures to minimize individual complaints. In addition, the WMC requested the Mexican Government agree to a thirty day extension for all railway worker contracts in order to avoid a slowdown on railroads in the western United States. Mexico emphatically rejected the WMC plan and reiterated its support of the original proposal made by Ambassador Messersmith.⁶⁴

The State Department was informed in November that the Mexican Government would definitely not accept the proposed commission exercising

⁶³George S. Messersmith to Cordell Hull, October 29, 1943, State Department Records, NA, RG59.

⁶⁴Cordell Hull to Director of the Office of Defense Transportation (Eastman), November 4, 1943, State Department Records, NA, RG59.



any functions other than determining: 1) how many Mexican workers were discriminated against by the Santa Fe Railroad, 2) how long a time the discrimination existed and 3) the amount of compensation due each worker. The Foreign Office stated it was not necessary to make settlement immediately, that no further claims would be made provided other workers receiving higher wages were not placed alongside the Mexicans and that present wage rates were not being disputed.⁶⁵

Apparently in the belief that the Foreign Office would not alter its position, the WMC after five days of deliberation decided to accept the Mexican proposal on November 11, 1943. The following day the Camacho Administration announced that recruiting of railway workers, up to a maximum of 20,000, and renewing of contracts could be resumed.

The Claims Commission, consisting of Luis Padilla Nervo and Manuel Aguilar from the Mexican Consulate General's Office in Los Angeles, and Robert L. Clark of the WMC and William G. MacLean from the State Department, met for the first time in El Paso, Texas on January 17, 1944, and labored almost two months before arriving at a solution acceptable to both sides. During their discussions the Commissioners spoke with representatives of the Santa Fe Railroad, the Southern Pacific Railroad, the American Association of Railroads and the WMC.

In presenting his country's claims, Padilla Nervo cited the wage differential which the Mexican Government considered a clear violation of the labor agreement. He stressed that Avila Camacho's policy of sending workers to the United States was not accepted by all segments of Mexican society, but the President continued the program as a measure of

⁶⁵Foreign Relations of the United States, 1943, Memorandum, Chief of the Division of American Republics (Bonsal), November 6, 1943, Vol. 6, p. 575.



wartime collaboration. His Government however had to insure that the project was equitably carried out so as to limit the grounds for criticism by those opposed to the emigration of labor. In order to blunt the attacks of his critics, Padilla Nervo continued, President Camacho had to insist on compensation for the railroad wage discrepancy which had been given wide publicity in Mexico City.⁶⁶

When the United States agreed to the Commission, based on Mexico's proposal, the State Department and other Government agencies realized compensation would have to be paid, and they were willing to do so in order to insure a continuing supply of workers. The real function of the Commission then was simply to determine the amount of compensation. After the first few weeks of discussion the American representatives felt agreement could be reached for less than \$250,000. They were authorized to mention \$150,000 as the basis of a possible settlement, but this was turned down when a railroad official indicated a willingness to pay as much as \$200,000.⁶⁷

The work of the Commission almost ended in failure when Chairman Paul McNutt of the WMC, in a manner which Mexico considered insulting and the State Department thought quite improper, offered directly to the Mexicans about \$225,000 (one million pesos) to settle the dispute. The Mexican representatives immediately rejected McNutt's overture and threatened to breakoff the negotiations, but they were persuaded by the American

⁶⁶Foreign Relations of the United States, 1944, Memorandum of Conversation by Division of Mexican Affairs (MacLean), February 25, 1944, Vol. 7, pp. 1296-1298.

⁶⁷Foreign Relations of the United States, 1944, Memorandum by Office of American Republics (Duggan) to Under Secretary of State (Stettinius), March 6, 1944, Vol. 7, pp. 1301-1302.



Commissioners to continue with their work when McNutt withdrew his offer.⁶⁸

The Mexican delegation was pressured to suggest a sum which it considered equitable to both sides, but when it proposed \$487,000 as a basis for settlement, the Americans replied that they could not recommend to their Government the payment of such a large amount of money, and in turn countered with an offer of \$250,000. The latter figure was unacceptable to the Mexican Commissioners who considered it to be too close to the sum proposed by the WMC Chairman. However, after further discussions the Mexicans lowered their original demand and agreed to recommend to their Government the acceptance of \$300,000 as compensation for damages suffered.⁶⁹

The members of the mixed Commission submitted a report to their respective Governments which called for payment by the United States of \$300,000 to the Government of Mexico "as a complete and final settlement of all claims against the Government of the United States under...the agreement of April 29, 1943, up to and including the date on which this agreement is made effective by an exchange of notes between the two Governments."⁷⁰ The recommendations of the Commission proved acceptable to both countries and notes to that effect were exchanged on April 8, 1944, thus laying to rest the most serious problem experienced under the non-agricultural labor agreement.

By the beginning of 1944 the WMC had received from the nation's

⁶⁸Foreign Relations of the United States, 1944, Memorandum by Office of American Republics (Duggan) to Under Secretary of State (Stettinius), March 6, 1944, Vol. 7, pp. 1301-1302.

⁶⁹Ibid.

⁷⁰Foreign Relations of the United States, 1944, "Report of Joint Mexican-United States Commission on Mexican Railroad Workers," March 9, 1944, Vol. 7, pp. 1308-1310.

railroads requests for 32,810 workers which could not be filled from domestic sources or under the present recruiting quota of 20,000 set by the Mexican Government. In informing the State Department of this fact Chairman McNutt stressed that the railroads could not carry the increased loads demanded by the exigencies of war unless additional manpower were made available, and he requested that the Mexican Foreign Office be urged to raise the ceiling on contracting to 40,000. Hull forwarded McNutt's petition to Ambassador Messersmith who replied that there was considerable political pressure being exerted on President Camacho to limit the number of railway workers sent outside the country, and in view of the domestic problems which could result from an increase in recruiting, the Ambassador felt he would have to discuss the matter directly with the Mexican President.⁷¹

Messersmith met with the President on February 17 and informed him that accidents on United States railroads had increased significantly during the previous few months due to increased traffic loads and lack of railway maintenance. He stressed that American railroad management was highly pleased with the Mexican workers already in the United States, and inquired whether President Camacho would consider sending another "division to the front." The Mexican Chief Executive replied that he fully understood the importance of additional laborers to the war effort and he wished to continue this program of collaboration. He said immediate instructions would be issued raising the recruiting quota to 40,000. Messersmith stressed to the State Department that in view of the opposition to the program by several Mexican States which were themselves

⁷¹Foreign Relations of the United States, 1944, Memorandum by Division of Mexican Affairs (McGurk), January 27, 1944, Vol. 7, pp. 1291-1293.



experiencing labor shortages, this was not an easy decision for President Camacho to reach and should be interpreted as another proof of his desire to cooperate fully with the United States.⁷²

Throughout his entire tour in the Embassy at Mexico City, Messersmith reminded United States Government officials that the Mexican press was never generally sympathetic to the labor agreements. The leading newspapers continually printed accounts of alleged discriminations against Mexican workers or carried stories of poor workers moving to Mexico City and living there for months in abject poverty without being recruited. Claims made by the officials of some Mexican States that they were experiencing manpower shortages due to the emigration of so many workers were given front page headlines.⁷³ Typical of the attacks against the Mexican Administration's policy was one levelled by Senator Ramiro Tames of Nuevo León who charged that racial discrimination against Mexicans existed in the United States, and that Mexican labor and governmental officials had done little to look into complaints of mistreatment or improve the lot of their countrymen laboring in America.⁷⁴ To accusations such as these the Camacho Administration replied through its semi-official organ that conditions for the migration of workers to the United States had never been as favorable as they then were. "We view with a little skepticism," the Government stated, "and as referring to sporadic and isolated cases perhaps, those denunciations which have been made...of bad treatment, discriminations and abuses which have been committed

⁷²Foreign Relations of the United States, 1944, George S. Messersmith to Cordell Hull, February 17, 1944, Vol. 7, pp. 1294-1296.

⁷³American Embassy to Secretary of State, May 18, 1944, State Department Records, NA, RG59.

⁷⁴Excelsior, May 14, 1944.



against Mexican laborers and of the alleged abandonment of them on the part of Mexican consuls."⁷⁵

Less than three months after the railway recruiting quota had been raised to 40,000 workers, the WMC again requested the Mexican Government be approached with a view toward increasing the ceiling under the 1943 agreement to 50,000. The WMC argued that under the present authorization there were never 40,000 laborers actually working at any one time due to men missing from their places of employment and the unavoidable delay in replacing workers as their six months contract expired and they elected to return to Mexico. If the quota were raised to 50,000, it would be possible at all times to insure a minimum of 40,000 were employed.⁷⁶

The State Department instructed the embassy in Mexico City to discuss the increase with the Foreign Office, if and when it appeared such a request would be considered favorably. The matter was raised with the Mexican Government in June, and the augmentation approved by Avila Camacho on July 1, 1944.

On learning the WMC was interested in obtaining unskilled lumber, forge and foundry workers in Mexico, Ambassador Messersmith reported there was little or no hope of securing more than the 75,000 agriculture and 50,000 track laborers already authorized. A United States request for an additional 5,500 workers for the food processing industries of California, Oregon and Washington State was turned down by President Camacho who felt it was not possible at that time to drain more personnel from the agricultural or food processing industries of his country.

⁷⁵El Nacional, editorial, May 18, 1944.

⁷⁶Foreign Relations of the United States, 1944, War Manpower Commission to Division of Mexican Affairs, May 9, 1944, Vol. 7, p. 1312.



In early August, James F. Byrnes, the War Mobilization Director, informed the State Department that a critical shortage of forge, foundry and tire workers had developed in the United States and requested immediate efforts be made to secure 25,000 unskilled laborers from Mexico to fill the vacancies in these areas. In directing Ambassador Messersmith to discuss the need for these additional workers with the Foreign Office, Acting Secretary of State Edward R. Stettinius stipulated that the guarantees of the April 1943 agreement would be applied to any of its countrymen made available by the Mexican Government under this new appeal.⁷⁷ When the subject was raised with President Camacho, he replied that in view of the recent protests against further recruiting he had received from his State Governors and Mexican industry, he would need several days to reach a decision on this highly controversial matter. The President felt it would be almost impossible to authorize the contracting of the entire 25,000, but he promised the request would receive his sympathetic consideration. Messersmith reported that the combined quotas of 125,000 workers would be reached in October and recommended the United States be content with the existing authorization and refrain from applying pressure on the Mexican Government for additional laborers.

Less than two weeks later, the Mexican Chief Executive announced he had decided to permit the recruiting of 25,000 unskilled forge, foundry and tire workers which could begin as soon as all previously sanctioned quotas were filled. The United States still had 17,000 laborers which it could contract under prior authorization, a process it

⁷⁷Foreign Relations of the United States, 1944, Acting Secretary of State (Stettinius) to George S. Messersmith, August 2, 1944, Vol. 7, p. 1320.



was calculated would take until mid-September or early October to complete.⁷⁸ Ambassador Messersmith asked if the documenting of these additional workers could not begin immediately, to which Avila Camacho replied that it could begin as soon as the necessary machinery for recruiting was set up.⁷⁹

Not one laborer was ever contracted under this new authorization. On November 17 the State Department informed the American Embassy in Mexico that it was doubtful a strong demand for forge, foundry and tire workers would develop due to the guarantees which were required under the labor agreements.⁸⁰ The housing and sanitary facilities guaranteed by the international understandings were not available, and the industries in question were unwilling to provide them, which seems to indicate their labor needs were not as acute as originally indicated. Why the WMC would request the 25,000 workers without first reaching an accord with industry on the guarantees provided by the 1943 agreement remains a mystery, but the indisputable fact is that President Camacho, despite intense local opposition, authorized the sending of 25,000 additional workers to the United States in yet another example of his desire to collaborate in the war effort.

In 1944 the agricultural program reached its peak in terms of number of laborers employed as the Mexicans were introduced into many new states. During the previous year they had worked in California, Nevada, Arizona, Colorado, Kansas, Montana, Nebraska, North Dakota, South Dakota, Wyoming,

⁷⁸George S. Messersmith to Cordell Hull, August 15, 1944, State Department Records, NA, RG59.

⁷⁹Foreign Relations of the United States, 1944, George S. Messersmith to Cordell Hull, August 25, 1944, Vol. 7, pp. 1322-1323.

⁸⁰Secretary of State to United States Embassy in Mexico, November 17, 1944, State Department Records, NA, RG59.



Idaho, Oregon and Washington.⁸¹ In answering a United States inquiry, the Mexican Government said it had no objection to its workers entering any state as long as the agreement was followed and the laborers remained under the jurisdiction of the War Food Administration.⁸² In response to this broad authorization Mexican farm labor was employed throughout 1944, in addition to those states previously mentioned, in Iowa, Michigan, New Mexico, Minnesota, Utah, Wisconsin, Indiana, Texas, Illinois, Mississippi, Missouri, Ohio and Arkansas. According to the WFA as of August 31, 1944, there were 67,860 Mexican farm workers in the United States which was the maximum number reached at any one time. Of this figure 58,927 were actually employed while 8,933 were either in transit or missing.⁸³

The Mexican-United States agricultural agreement served as an example for similar arrangements which provided for the entry during 1944 of about 15,000 farm workers from Newfoundland, Jamaica and the Bahamas.⁸⁴ In addition during the same year more than 75,000 prisoners of war were used in agricultural positions.⁸⁵

An increased number of Mexican railway workers was also dispersed throughout the United States in 1944. Although the quota of 50,000 laborers was never exceeded at any time, a total of 55,354 maintenance

⁸¹Foreign Relations of the United States, 1944, Secretary of State to George S. Messersmith, March 22, 1944, Vol. 7, p. 1305.

⁸²George S. Messersmith to Cordell Hull, March 29, 1944, State Department Records, NA, RG59.

⁸³War Food Administration to Secretary of State, September 25, 1944, State Department Records, NA, RG59.

⁸⁴Marion Parks, "A New Pattern in International Wartime Collaboration," U. S., Department of State Bulletin, Vol. 11, No. 263 (August 13, 1944), pp. 160-165.

⁸⁵The New York Times, May 6, 1945.

of way workers came to America from Mexico.⁸⁶ The largest contingent of laborers, more than 12,000, was assigned to the Southern Pacific Railroad. Some of the other lines receiving large quotas of Mexican workers were: Santa Fe--7,900, Pennsylvania--6,800, and New York Central--3,865. The Colorado and Southern Line received 100 workers which was the smallest group of Mexicans employed by any railroad while the Boston and Maine was allotted 150.⁸⁷ During 1944 the Mexican Government granted a major concession by authorizing the contracting of railway labor at San Luis Potosí provided the United States bear the expense of transporting the workers to the recruiting stations.⁸⁸ Previously the Camacho Administration had resolutely refused to permit documenting of laborers other than in Mexico City for farm labor and Guadalajara for railway workers.

A long-standing problem which the Mexican Government always considered annoying was the illegal entrance into the United States of thousands of its countrymen in search of relatively high-salaried employment. In late 1943 Mexico decided to intensify its campaign against the "wetback" emigration and requested that the United States Immigration and Naturalization Service cooperate in this effort. A similar petition was again made by Ambassador Castillo Nájera to Secretary of State Hull in February, 1944, when the illegal exodus reached alarming proportions and threatened Mexican agriculture in the areas adjacent to the border with severe labor shortages.

⁸⁶Arthur P. Whitaker, ed., Inter-American Affairs, 1944 (New York: Columbia University Press, 1945), p. 158.

⁸⁷Parks, "A New Pattern in International Wartime Collaboration," pp. 160-165.

⁸⁸Department of State to War Manpower Commission, May 2, 1944, State Department Records, NA, RG59.

On March 27, 1944, Foreign Minister Padilla met with Ambassador Messersmith to discuss what the former considered to be a very serious problem along the Texas-Mexican border. Padilla stated that recently several individuals from Texas had crossed the border for the purpose of inducing Mexican farm workers to illegally enter the United States for employment in Texas. Many promises were made to the laborers, the Foreign Minister continued, but when they arrived in Texas their expectations were not met and they were treated badly. Manuel Tello suggested a conference of United States and Mexican immigration officials be held to investigate the situation and propose corrective action.⁸⁹ Messersmith thought this to be an excellent idea and forwarded it to the State Department with a strong recommendation for its acceptance. United States officials in Washington also considered the conference a logical approach to the problem, and in mid-April approved a formal request from Padilla that a meeting of immigration officials be held to examine the border difficulties. The Mexican Government also proposed the conference study a request made the previous month by the WFA that the 2,044 Mexican workers who entered the United States in May, 1943, for one year under Public Law 45, and whose authorization was about to expire, be recruited under the labor agreement so they could continue working in the regions where they were then assigned.

The informal conference to discuss border immigration problems was held in the Mexican Foreign Office daily from May 29 to June 2, 1944. On the final day of the meetings a protocol was adopted by the participants which provided: 1) the Mexican representatives would request that their Government impose stricter conditions on the issuance of passports for

⁸⁹ United States Embassy in Mexico to Division of Mexican Affairs, March 28, 1944, State Department Records, NA, RG59.

entrance into the United States and reinforce patrols on the Mexican side of the border to halt illegal emigration from their country, 2) American delegates would recommend United States immigration officials complement the Mexican effort by increasing border surveillance, 3) Mexican farm workers who had entered the United States the previous year under Public Law 45 would be returned to Mexico for documentation under the agricultural labor agreements, and 4) American immigration officials would attempt to return to their own country all Mexican males who had clandestinely entered the United States.⁹⁰

During 1943 the United States Immigration and Naturalization Service had deported a total of 2,905 illegal Mexican immigrants while in 1943 the figure rose to 9,818. At the border conference the representatives of the two Governments set as a goal the returning of 20,000 "wetbacks" in the six month period following the meetings.⁹¹ This quota was more than doubled by the Immigration Service which returned to their own country, pursuant to the June 2 convention, 45,461 Mexicans between June 1 and December 1, 1944.⁹²

American officials embraced the protocol and worked hard to carry out its provisions while the Mexican Government refused to sign it even though it had been adopted by the Mexican delegation at the conference. After discussions with the Ministry of Gobernación, the United States Embassy in Mexico gained the impression that at the time of the meetings

⁹⁰Foreign Relations of the United States, 1944, George S. Messersmith to Cordell Hull, June 6, 1944, Vol. 7, pp. 1314-1316.

⁹¹Foreign Relations of the United States, 1944, Division of Mexican Affairs (McGurk) to George S. Messersmith, July 18, 1944, Vol. 7, pp. 1319-1320.

⁹²Foreign Relations of the United States, 1945, Department of Justice to Secretary of State, January 11, 1945, Vol. 9, pp. 1139-1140.

the unlawful exodus of workers was causing a political problem for the Mexican Government, but since American authorities had taken steps to halt the illicit movement and were returning thousands of illegal immigrants, Mexico saw no need for further action.⁹³

The most serious problem faced by the United States in its effort to return illegal entrants to Mexico was the acute shortage of transportation facilities which rendered it impossible to deliver the workers to the locations from which they had come. American officials much preferred to return to Tijuana and Mexicali the thousands of Mexicans who had crossed the border into Texas and were finally apprehended in California where they had migrated in search of work. This presented great difficulties to Mexican authorities in Baja California who had neither jobs for their returning nationals nor a means of transporting them back to the Mexican states of which they were residents. Initially Tijuana and Mexicali accepted the deported workers, but finally on December 6, 1944, Mexican immigration officials in these two localities, at the request of the Governors of Sonora and Baja California, announced they would not accept additional illegal immigrants because of the inability of these two states to handle large numbers of non-resident nationals.⁹⁴ The following day a note was delivered by the Mexican Embassy in Washington to the State Department requesting that its citizens apprehended in the United States be returned via El Paso and Laredo, Texas.

The Secretary of State replied to the Mexican Chargé, Rafael de la Colina, that it would be very difficult to comply with the terms of his

⁹³United States Embassy Memorandum, September 29, 1944, State Department Records, NA, RG59.

⁹⁴Foreign Relations of the United States, 1945, Department of Justice to Secretary of State, January 11, 1945, Vol. 9, pp. 1139-1140.

note due to transportation limitations in the United States caused by the war. The State Department suggested the problem would disappear if the men being returned could be contracted under the agricultural agreement as soon as they reached Mexican territory. If several recruiting stations were established at various points along the border, the illegal entrants could be delivered to the nearest one, where they would be documented under the agreement and returned to their place of employment in a short period of time. The United States guaranteed that if this proposal were accepted the workers would be repatriated through El Paso. The Mexican Government stated that although it appreciated the offer of the State Department it was impossible to accept it because the contracting of workers along the border would induce thousands of Mexican laborers to move to that area hoping to be recruited. Those not selected would in many cases enter the United States clandestinely which would only serve to further exacerbate the original problem.⁹⁵

The Foreign Office asked, in light of the inability of the United States to transport the detained workers to Texas, if it would be possible to deliver to Nogales on the Arizona border those unlawful Mexican immigrants apprehended in the far western states who were not residents of Baja California. Under this plan former inhabitants of Baja California would continue to be returned via Tijuana and Mexicali. On December 11 the United States accepted this proposal with the provision that Mexico would agree to receive in Baja California all of her nationals deported from the western states until arrangements could be made for handling them at Nogales. Despite the assurances given by Mexican

⁹⁵Foreign Relations of the United States, 1944, Memorandum of Conversation by Division of Mexican Affairs (MacLean), December 11, 1944, Vol. 7, p. 1333.

officials, the immigration office at Tijuana was instructed to continue its practice of refusing to accept non-residents of Baja California from the United States Immigration Service.

A satisfactory solution which proved to be workable was finally agreed to on January 9, 1945, by Padilla Nervo and Ugo Carusi, Commissioner of the Immigration and Naturalization Service. Under the terms of a joint memorandum approved by the two officials, the United States would return Mexicans illegally in this country to Mexicali if residents of Baja California, and to Nogales if residents of Sonora, Sinaloa or Jalisco. All others would be delivered to Juarez. The Mexican Government promised to immediately transport its nationals returned via Nogales and Juarez to their homes or other areas removed from the border, thereby making it more difficult for them to clandestinely re-enter the United States.⁹⁶ Although this arrangement did not solve all of the problems associated with the illegal entrance of Mexican nationals into the United States, it provided an effective mechanism for their return once they were apprehended and insured that the two Governments were again cooperating on this sometimes divisive issue.

In January, 1945, the WMC advised the State Department that American railroads were continuing to experience a shortage of maintenance of way workers and requested the Mexican Government be asked to permit the recruiting of 75,000 laborers, an increase of 25,000 over previous authorizations. Before formally addressing the Camacho Administration on this subject, it was discussed with Padilla Nervo, temporarily in Washington negotiating the solution to the illegal immigration problem, who

⁹⁶Foreign Relations of the United States, 1945, Department of Justice to Secretary of State, January 11, 1945, Vol. 9, pp. 1139-1140.

said he would have no objection to such a quota expansion.⁹⁷ On January 29 an appeal for permission to contract the additional 25,000 railroad workers was made by Ambassador Messersmith to Foreign Minister Padilla who announced on February 17 that President Camacho had authorized the expanded recruiting.

Original United States estimates for 1945 indicated that only about 60,000 Mexican farm workers would be needed during the year, but a decision by the Director of the Office of War Mobilization and Reconversion, to induct into the armed forces all domestic farm workers between the ages of eighteen and twenty-six who had previously been exempted, caused the WFA to increase its initial assessment.⁹⁸ Mexico agreed to maintain the agricultural quota for 1945 at 75,000 workers.

One of the principal concerns expressed by the Mexican Government during the migratory labor program was that all its nationals employed in the United States under the agreements would be returned within a few weeks after the cessation of hostilities, causing a severe strain on its economy which would already be depressed due to cutbacks in the wartime strategic materials production. This fear seemed a reality when the United States Attorney General in late 1944 interpreted Public Law 229 as requiring foreign laborers to leave the United States within thirty days after the end of the war.

The WMC made a strong appeal to the Justice Department that a new ruling be made allowing the railway workers to remain in this country until their contracts expired. War Manpower Commission studies indicated

⁹⁷Foreign Relations of the United States, 1945, Secretary of State to George S. Messersmith, January 22, 1945, Vol. 9, pp. 1141-1142.

⁹⁸Foreign Relations of the United States, 1945, Memorandum of Conversation by Division of Mexican Affairs (MacLean), January 3, 1945, Vol. 9, pp. 1137-1139.

the Mexican workers would be needed since the termination of fighting would produce a great demand for both passenger and freight service and because returning American armed forces personnel would not search for railway maintenance work which was considered by many to be undesirable employment.⁹⁹ The State Department made a similar plea for a revised ruling, stressing that the contemplated action was a violation of the workers' contracts and the two international agreements with Mexico.¹⁰⁰

In March 1945 the Attorney General, in reversing his original decision, ruled that Mexican workers employed by the WMC and the WFA could remain in the United States after the war until their individual contracts expired. This meant that when recruiting was terminated the laborers would be returned to Mexico over a six month period at the same rate at which they were contracted.¹⁰¹ Even had the Attorney General refused to change his original decision, it would have been impossible for the United States to return all the Mexican workers within thirty days of the cessation of hostilities. The limited transportation facilities available at the end of the war did not even permit the laborers to be repatriated as quickly as their contracts ran out.

By mid-1945 approximately 70,000 farm laborers and 70,000 railroad workers had migrated from Mexico to the United States under the terms of the international agreements. Since the WFA and the WMC still required additional manpower, consideration was being given to requesting from the

⁹⁹War Manpower Commission to Immigration and Naturalization Service, December 4, 1944, State Department Records, NA, RG59.

¹⁰⁰Division of Mexican Affairs (Carrigan) to Immigration and Naturalization Service, December 27, 1944, State Department Records, NA, RG59.

¹⁰¹Embassy of the United States to Mexican Foreign Office, March 26, 1945, State Department Records, NA, RG59.

Mexican Government further increases in recruiting quotas. The most ardent support for the migratory labor program, Ambassador Messersmith advised the State Department, had come from President Camacho and Foreign Minister Padilla who had recently resigned his post, some thought, to enter the presidential election for which campaigning had already begun. At that time the only announced candidate was Miguel Alemán, the former Minister of Gobernación, who had continually opposed the sending of Mexican workers to the United States. The Ambassador reported that in these circumstances it would be most difficult for Avila Camacho to enlarge the contracting quotas, and he recommended that domestic workers, who had lost their jobs as defense production was cut back, be used on the farms and railroads.¹⁰²

The WFA instructed its local representatives in Mexico towards the end of July to suspend further recruiting of farm workers since the quota of 75,000 had practically been reached. Budgetary difficulties were also heavily considered in reaching this decision. Pablo Campos Ortiz, who had succeeded Manuel Tello as Under Secretary for Foreign Affairs, was quite upset when he learned contracting of agricultural labor had been terminated, but his anger subsided when he was assured by the WMC that it would recruit all workers brought, at great expense to the Mexican Government, from outlying areas to Mexico City at the request of the WFA.¹⁰³

On August 20, 1945, the American Embassy in Mexico was instructed to inform the Foreign Office that V-J Day (which in reality had already

¹⁰²George S. Messersmith to Secretary of State, July 13, 1945, State Department Records, NA, RG59.

¹⁰³Foreign Relations of the United States, 1945, George S. Messersmith to Secretary of State, July 23, 1945, Vol. 9, pp. 1144-1146.

passed) would probably signify the end of all railway worker recruiting and contract renewing. Agricultural labor would be needed at least through the 1946 harvest. Assurances were to be given that every worker would be able to fulfill his present contract.¹⁰⁴ Three days later the WMC ceased all recruiting in Mexico.

The Mexican Government notified Ambassador Messersmith of its grave concern over this sudden action which violated the provisions of the formal agreements requiring a ninety day notice prior to a suspension of recruiting. Campos Ortiz stated that at the direct request of the WMC and the WFA about 11,000 laborers had been transported to the contracting centers at an expense to his Government and to send them home without being recruited would embarrass the Government and could provoke riots among the disappointed workers. He said the ninety day notification requirement was designed to prevent the situation now faced by the Camacho Administration. Messersmith pointed out to the State Department that the sudden suspension violated the spirit of the agreements and recommended that the 11,000 workers be contracted.¹⁰⁵ The Department replied that the contracting had taken place under war-time legislation and since all hostilities had ceased as of August 14 further recruiting would be impossible. This restriction, however, was conveniently overlooked when the United States found it necessary to recruit Mexican farm workers under the farm labor agreement in 1946.

In late August railroad officials and the Department of Agriculture both notified the State Department that they would need many of their

¹⁰⁴ Secretary of State to Chargé in Mexico (Bursley), August 20, 1945, State Department Records, NA, RG59.

¹⁰⁵ Foreign Relations of the United States, 1945, George S. Messersmith to Secretary of State, August 23, 1945, Vol. 9, p. 1146.

Mexican workers until at least the end of the year, and possibly longer, and that available transportation did not permit the repatriation of the laborers as their contracts expired. On November 6 an agreement was made between the Foreign Office and the State Department whereby Mexican workers could volunteer to extend their contracts until December 31, 1945. Those not desiring to do so were to be returned to Mexico as their individual covenants elapsed. During the fall of 1945 repatriations lagged behind contract expirations, but as more transportation was made available toward the end of the year the situation improved to such an extent that on January 7, 1946, the State Department informed the Mexican Embassy that in a few days repatriations, would be current with contract expirations and would remain so until all workers were returned to Mexico.¹⁰⁶

In 1946 Mexico again cooperated in alleviating the United States agricultural labor shortage by permitting 54,000 of her nationals to be contracted for farm work under the international agreement.¹⁰⁷ No further recruiting was carried out under the non-agricultural pact, and the two Governments terminated the 1943 agreement with an exchange of notes on November 15, 1946.¹⁰⁸ The following April legislation was passed by Congress which liquidated the temporary migratory labor program. Although future bracero understandings were consummated, in none of them did the United States Government guarantee wages, housing, subsistence and sanitary facilities as it did in the wartime labor agreements with

¹⁰⁶Foreign Relations of the United States, 1945, Secretary of State to Mexican Ambassador Antonio Espinosa de los Monteros, January 7, 1946, Vol. 9, p. 1158.

¹⁰⁷Foreign Relations of the United States, 1946, Footnote, Vol. 11, p. 1024.

¹⁰⁸U. S., Treaties and Other International Acts Series 1684, November 15, 1946. (Washington, 1948).

Mexico.

Several of the problems encountered by the two countries in implementing the labor agreements have been described in this account, but when the program as a whole is carefully examined it must be considered an unqualified success. Mexico made available thousands of her nationals to aid in the United Nations war effort, thus freeing more Americans for military service, while the United States made every effort to see that the immigrating laborers were cheerfully received and well cared for in this country. The collaboration of Mexico was not given without some sacrifice on her part since the recruiting process was rigorous with only the healthy and well-qualified applicants chosen to go abroad, which meant that the less qualified workers remaining in Mexico had to fill the positions vacated by those selected for service in the United States.

It is not intended to impart the impression that the terms of the individual contracts and the overall agreements were scrupulously adhered to by all concerned. Certainly this was not the case, and there were incidents when nationals of both countries acted in bad faith. Several Mexican workers used their contracts only as vehicles of transport to this country and abandoned their place of employment at the first opportunity, while cases of harsh and discriminatory treatment of workers by railroad foremen and farm owners are known to have existed. Despite the efforts of Texas officials, it became necessary for Mexico, in the summer of 1945, to request that its nationals working on the railroads be removed from that state due to poor treatment.

This, however, was the exception rather than the rule as each nationality generally treated the other with mutual respect and kindness. Francisco Trujillo Gurria, Mexican Secretary of Labor, after visiting several groups of his countrymen employed on United States railroads,

remarked that he was highly satisfied with the working and living conditions enjoyed by the workers. One farm laborer returning to Mexico remarked: "The North American working people in general consider us as their comrades consequently, they conduct themselves well and as good friends."¹⁰⁹ That the Mexicans were well treated was shown by a high percentage of contract renewals and the large numbers of laborers applying to come to America. United States satisfaction with the performance of the imported Mexican workers was illustrated by the manager of the Glendora California Lemon Growers Association who stated: "...their behavior is excellent. Their attitude is inspiring. Their cleanliness, their housekeeping, their self-discipline are amazing. We are most impressed by their production records. These nationals have saved the day for us."¹¹⁰

The accomplishments of the Mexican workers were substantial. A great part of the maintenance of way work in the Southwest was performed by the Mexicans who were also found on railroads in the mid-West, New England and Florida. On some of the major western roads their labor made the difference between safe, efficient operation and a complete breakdown of vital trunk lines. Many of these trunk lines were able to increase their traffic loads during the critical war years due to the invaluable service provided by the Mexican workers.¹¹¹

California credited the Mexican farm laborers with salvaging between 15-20 percent of its harvest in 1943 and 1944 while several other states

¹⁰⁹ The Inter-American, Vol. 3 (February, 1944), p. 37.

¹¹⁰ Carey McWilliam, "They Saved the Crops," The Inter-American, Vol. 2 (August, 1943), pp. 10-14.

¹¹¹ Parks, "A New Pattern in International Wartime Collaboration," pp. 160-165.

acknowledged similar debts of gratitude. The sugar beet harvesting in numerous states during the war was performed almost exclusively by the Mexicans. One author describes the contribution of the imported farm workers in this way:

At any one time there were seldom more than 75,000 braceros (representing a shade over 2% of the total agricultural force) at work in the United States during the war. Their services were more valuable than their numbers would indicate. The braceros formed a sort of tactical and strategic reserve which was shifted from harvest to harvest when labor shortages would have been disastrous to perishable commodities. They worked as far north as Wisconsin, and in general were found to be quite able and competent.¹¹²

As President Roosevelt observed, the collaboration of President Camacho in sending laborers to this country was an "eloquent demonstration of the important role our Mexican allies can and are taking in the war effort of the United Nations."¹¹³

¹¹²Howard F. Cline, The United States and Mexico (Cambridge: Harvard University Press, 1953), p. 275.

¹¹³The New York Times, news article by W. H. Lawrence, October 21, 1942.

CHAPTER VI

THE MEXICAN-AMERICAN COMMISSION FOR ECONOMIC COOPERATION

As early as April 3, 1942, Ambassador Messersmith recommended to the State Department the formation of a joint Mexican-United States economic commission consisting of three representatives from each country to examine economic conditions in Mexico. Messersmith's initiative sprang mainly from his concern over the deteriorating Mexican railway system which he considered inadequate to transport the increasing quantities of strategic materials needed by the United Nations in their war against the Axis. The Ambassador felt it to be in the United States interest to develop Mexico's railroads so that vitally needed minerals could reach America's markets.¹ Messersmith's anxiety over Mexico's delapidated transportation system was somewhat eased in the fall of 1942 when the United States agreed to send a railroad mission to Mexico to determine the principal needs of that country's national lines and also to provide a large share of the money required for rehabilitating her railroads.

Economic cooperation began in other areas also as Under Secretary Welles and Foreign Minister Padilla agreed on April 11, 1942, that the two Governments would cooperate in establishing a series of basic industries in Mexico to meet domestic consumption needs and to supply goods required by the war effort.² With this understanding in mind the Export-Import Bank extended a \$6 million credit to Mexico for construction of

¹George S. Messersmith to Under Secretary of State Sumner Welles, April 3, 1942, Department of State Records, National Archives, Record Group 59. Hereafter referred to as State Department Records, NA, RG59.

²U. S., Department of State Bulletin, Vol. 6, No. 146, April 11, 1942, p. 325.

the Altos Hornos steel plant in the State of Coahuila.³ Ultimately this plant took military orders from the United States and fabricated ship plates for the Maritime Commission. The idea of a formally constituted joint economic commission seemed to die, however, as the economic unit in the American Embassy was heavily augmented following Mexico's declaration of war, giving it, in the Ambassador's opinion, the capacity to handle any problem that arose.

As the war progressed, the Mexican economy became seriously inflated, threatening the nation with a severe crisis. Eduardo Villaseñor, Director of the Bank of Mexico, noted in April, 1943, that due to a favorable trade balance and a war-induced inflow of foreign capital, Mexico had acquired a \$110 million surplus of gold and foreign exchange. Since her supply of European imports had been interrupted by the war and the United States was not supplying her with enough material to dissipate the unwanted excess, capital circulation was on the increase, and prices had sharply risen. Villaseñor argued that if Mexico had not aligned herself with the United States and permitted foreign governmental agencies to dictate terms of trade she could have made delivery of strategic minerals contingent on the receipt of industrial goods. He called on the United States to increase its exports of machinery, spare parts and industrial equipment to his country.⁴

The historic meeting between Presidents Roosevelt and Camacho in April 1943, the first face to face encounter between the Chief Executives of the two nations since Porfirio Díaz and William Howard Taft met in

³U. S., Department of State Bulletin, Vol. 7, No. 164, August 15, 1942, p. 704.

⁴George S. Messersmith to Cordell Hull, April 8, 1943, State Department Records, NA, RG59.

1909 for the dedication of the international bridge linking El Paso and Ciudad Juarez, provided the impetus for the formation of the joint economic commission which would prove an effective catalyst in helping Mexico acquire capital goods during the war years.⁵ The prospect of Roosevelt visiting with Camacho had been rumored in both countries since the latter's inauguration in December, 1940, but the exigencies of the war had heretofore precluded such a meeting. On learning a tour of United States military installations would bring President Roosevelt to Corpus Christi, Texas, in the spring of 1943, Ambassador Messersmith suggested the President seize the opportunity to confer with his Mexican counterpart on a variety of issues affecting their countries. Roosevelt accepted Messersmith's proposal provided as the President put it, "the big boy would go to see the smaller boy first."⁶

Arrangements were subsequently made for the American President to travel by train on April 20 to Monterrey, Mexico's iron and steel center, often referred to as that nation's Pittsburgh, for consultations with Camacho. Roosevelt remained in Monterrey until the following morning when the Mexican President joined him on his train for further discussions enroute to the Naval Air Station at Corpus Christi. Following an inspection of the military facility in Texas, Camacho returned to Mexico while Roosevelt continued on his tour of American defense establishments. No one seemed to care that President Camacho came to Texas on April 21, San Jacinto Day, the 107th anniversary of the state's declaration of

⁵The New York Times, news article by W. H. Lawrence, April 21, 1943.

⁶Unpublished Memoirs of George S. Messersmith, Vol. 2, No. 18, University of Delaware, p. 3.

independence from Mexico.⁷

The talks between the two Executives centered on the desirability of industrial modernization and expansion in Mexico and the close collaboration between their countries such an undertaking would necessarily produce. Camacho said that plans submitted to him by economic experts indicated development in Mexico should take place first in the industrial economy followed by agricultural development, modernization of communication facilities and improvements in the fields of health, sanitation and education. The Mexican President expressed his intention to maintain close cooperation with the United States both during the war and in the post-war period and to coordinate as closely as possible Mexican agriculture and industry with that of her northern neighbor. In the opinion of the two leaders economic problems arising from Mexico's attempt to industrialize which would affect both countries could better be solved by an on-going commission rather than ad hoc committees.⁸

Mexicans were exuberant over Roosevelt's visit, placing particular importance on his coming to Monterrey before Camacho travelled to Corpus Christi. Minister of Gobernación, Miguel Alemán, and Foreign Minister Padilla were of the opinion that the American President's visit to Mexico had done more to ameliorate relations between the two countries than any action taken by the United States in the 20th century. Padilla remarked: "All problems existing between Mexico and the United States have been thoroughly discussed and agreements reached on all points. You will see

⁷"U. S.-Mexican Ties Smoothed by the Meeting at Monterrey," Newsweek, May 3, 1943, Vol. 21, pp. 26-27.

⁸Foreign Relations of the United States, 1944, Memorandum of Conversation by George S. Messersmith, January 27, 1944, Vol. 7, pp. 1198-1201.

the results of the meeting shortly."⁹

Ambassador Messersmith reported that the visit had a profound effect on the Mexican people who genuinely appreciated the President's visit at a time when he was so occupied with the conduct of the war. According to Messersmith, not a "single discordant note" was sounded in Mexico City about the Monterrey conference.¹⁰

As Padilla predicted, the results of the presidential discussions were soon made public. On April 29 the State Department announced the two Presidents had agreed: 1) it would be beneficial to have expert economists examine the balance of payment difficulties and related economic forces at work in Mexico as a result of the war, with a view to submitting corrective recommendations, 2) measures of regulation and adjustment advocated by the economists would in no way cause a reduction in Mexico's production of strategic materials, and 3) an economic committee consisting of representatives of both countries would be created to study the Mexican economy and formulate a program of economic cooperation.¹¹

The Mexican-American Commission for Economic Cooperation, established under this agreement and given thirty days to complete its work, held its first meeting in Washington on May 21, 1943. The Mexican delegation consisted of Evaristo Araiza, General Manager of the Monterrey Steel Works and Valentin R. Garfías, a well-known Mexican mining engineer. The American representatives were Wayne C. Taylor, the Under Secretary of

⁹The New York Times, news article by Camille M. Cianfarra, April 22, 1943.

¹⁰George S. Messersmith to Sumner Welles, April 30, 1943, Secretary's File, Box 14, Roosevelt Library.

¹¹Foreign Relations of the United States, 1943, Department of State Press Release, April 29, 1943, Vol. 6, p. 417.

Commerce, and Dr. Harry White, Assistant to the Secretary of the Treasury.¹² Conferences were held in Washington until June 3 at which time the Commission traveled to Mexico City where it held deliberations for three weeks. The representatives then returned to Washington on June 28 to conclude their discussions and prepare a final report.

Throughout the long series of conferences held by the economic experts it seemed to American officials that the Mexican delegation was more interested in using the Commission as a vehicle for obtaining preferential treatment for Mexican import requests rather than as a forum for inquiring into its country's economic ills. This appears to be an accurate evaluation of Mexico's intention since her representatives on the Commission had been instructed by Foreign Minister Padilla to:

- 1) present factual proof of present inequalities in balance of payments and to seek correction of this situation by arranging for increased exports to Mexico of machinery, tools, equipment and manufactured products.
- 2) determine what industries can be established in Mexico using facilities existing in Mexico as well as peace time machinery lying idle in the United States which might be put to work in Mexico.¹³

In carrying out its mandate and in reaching its conclusions the Commission placed great emphasis on the efforts of both countries to cooperate in the production of strategic goods, the maintenance of Mexico's civilian economy during the war years and recommending programs in which both governmental and private agencies of the two nations could

¹²U. S., Department of State Bulletin, Vol. 8, No. 204, May 22, 1943, p. 457.

¹³Instructions Issued to Mexican Members of Joint Economic Commission by Ezequiel Padilla, May 13, 1943, State Department Records, NA, RG59.

collaborate in the long-range development of Mexico's national economy.¹⁴

During its stay in Mexico the Commission created several subcommittees consisting of Mexican Government, industrial and banking officials and representatives of various American Government agencies to study disturbances in the Mexican balance of payments and to examine proposals for increased production of strategic materials and economic development in Mexico. In addition to considering strategic minerals, individual subcommittees worked in the areas of agricultural production, industrial development, public works and sanitation, tourism, transportation, communications, and merchant marine and fisheries.¹⁵

The economic experts in their final report to Presidents Roosevelt and Camacho cited the loss of Mexico's European and Far Eastern markets, the emphasis on war production in the United States, a large capital influx and increased exports to the United States as the factors producing the imbalance in the Mexican economy, but offered no solution other than an increase in American exports to Mexico. The Commission strongly recommended that Mexico continue its expanded program of strategic material production and urged the United States to export more industrial equipment to Mexico. During the war it was the practice of the United States to ration goods in scarce supply and to allocate to the Latin American countries, as the exigencies of war permitted, only such goods as were necessary for the maintenance of the economies of those nations. This quota of materials would not permit further economic development, but only maintenance of the status quo; therefore, the Commission recommended that Mexico's share of American exports be substantially

¹⁴U. S., Department of State Bulletin Vol. 9, No. 212, July 17, 1943, p. 40.

¹⁵Ibid.

increased to permit the economic expansion the experts considered desirable.¹⁶

Each of the subcommittees compiled a report in the area of its expertise, suggesting possible methods for solving developmental problems. With few exceptions the recommended programs called for acquisition of materials from the United States.

The industrial experts considered projects designed to promote the orderly expansion of Mexico's electrical, steel, rubber, cement, chemical, textile, sugar and alcohol, and pulp and paper industries. In the Commission's view industrialization aimed at serving Mexico's domestic needs, which would combine her technology, capital and materials with those of the United States, offered the best prospect for sound economic cooperation. In many instances, the economists' report stated, equipment was not presently available, but in other cases, a careful combination of idle machinery and tools with the limited new material that could be procured, would be sufficient to establish new industries or expand existing facilities. The experts suggested the formation of a commission to oversee the detailed planning for Mexican industrial development.¹⁷ Finally, the Joint Commission noted that the propinquity and economic interdependence of the two countries offered opportunities for "constructive economic cooperation" which were "unequaled" and urged procedures be devised for promptly carrying out the recommendations contained in the report.¹⁸

The Commission's report was made public on July 17, 1943, the same

¹⁶U. S., Department of State Bulletin, Vol. 9, No. 212, July 17, 1943, pp. 42-44.

¹⁷Ibid., p. 41.

¹⁸Ibid., p. 46.

day a joint statement of the Mexican and United States Governments was released declaring that Mexico was cooperating "to the maximum of its present possibilities" with the United Nations war effort by sending to the United States large quantities of strategic minerals. If this contribution was to continue and even increase, the two Governments agreed, the United States must export to its neighbor in larger quantities the capital goods it is capable of providing to permit Mexican industry to develop on a sound basis and to compensate for the recent large surplus in Mexico's trade balance. This foreign trade disequilibrium, the statement continued, could result in a sharp decrease in Mexican production and a corresponding reduction in her war-time contributions. In publishing the Commission's report, Mexico and the United States agreed they were manifesting "their determination to take without delay the necessary steps to carry into effect the conclusions which are expressed therein..."¹⁹

Secretary of State Hull on receiving the economists' report informed President Roosevelt that the Commission had faithfully carried out its task and had produced a final document which would "form the basis for mutually beneficial further cooperation between the two nations" in the task of Mexican industrialization.²⁰ Ambassador Messersmith notified the State Department that the report received universally favorable comments in the Mexican press. La Prensa declared that America was willing to allow Mexico to achieve its high destiny of becoming an industrial nation, no longer existing on her natural resources alone.²¹

¹⁹U. S., Department of State Bulletin, Vol. 9, No. 212, July 17, 1943, p. 40.

²⁰Cordell Hull to President Roosevelt, July 8, 1943, State Department Records, NA, RG59.

²¹George S. Messersmith to Cordell Hull, July 20, 1943, State Department Records, NA, RG59.

If President Camacho entertained any doubts as to President Roosevelt's firm commitment to assist in Mexican industrialization they were dissipated shortly after the experts' final report was made public. "I assure you," Roosevelt said in a telegram to the Mexican President, "that every effort will be made by the United States to implement the recommendations of the Commission."²²

As soon as they had read the report State Department officials braced themselves for a strong protest they envisaged would come from the War Production Board (WPB) and the Foreign Economic Administration (FEA) which they felt would oppose the exportation to Mexico of any industrial material in excess of the minimum requirement previously established for Mexico as well as the other Latin American countries. The Department realized presidential intervention would in all probability be necessary to procure the increase in equipment for Mexico. Ambassador Messersmith also foresaw opposition from some governmental agencies, and cautioned Secretary Hull that it would be disastrous if the United States reneged on its assurance to carry out the Commission recommendations since the Mexican people considered the arrangement as one between the Presidents.

Within a month after the Commission report had been released, Assistant Secretary of State Dean Acheson received a communication from J. A. Krug, Vice-Chairman of the WPB, advising the Department of the need to examine specific projects which might be recommended for Mexican industrial development from a "domestic supply-requirements standpoint" before firm commitments were undertaken. Some programs, Krug predicted, may be very difficult to carry out without interfering with previously established priority domestic and export allocations. The Vice-Chairman

said the WPB was sympathetic to any project which would assist Mexico in her industrialization program, but the Board wanted to insure material commitments were not made which could not ultimately be fulfilled. The WPB had a responsibility to prevent scarce equipment produced for defense purposes or other urgent uses from being consigned to a lower priority program.²³

Mr. Acheson replied that some of the development projects would be capable of early completion while others would have to be delayed until the supply situation in the United States had improved. He reiterated, however, that it was the policy of the Roosevelt Administration to cooperate with Mexico in this task to the degree that military and other priority programs would permit.²⁴

The anticipated opposition from the FEA never materialized. Its Director, Leo T. Crowley, advised Secretary Hull that his office would cooperate by pushing forward, as permitted by the exigencies of the war, all requests for material to be used for Mexico's industrial program.²⁵

In perhaps its most important recommendation the Economic Commission proposed the creation of a Joint Industrial Commission to consider specific projects designed to promote Mexican development. By the end of July, 1943, the two Governments had agreed each would appoint three members to the Industrial Committee, and Mexico had submitted to the State Department a list of her representatives. The Mexican delegation consisted of Primo Villa Michel, former Chief of the Office of Coordination

²³Vice-Chairman, War Production Board (Krug) to Assistant Secretary of State Acheson, August 12, 1943, State Department Records, NA, RG59.

²⁴Assistant Secretary of State Acheson to Vice-Chairman War Production Board (Krug), August 17, 1943, State Department Records, NA, RG59.

²⁵Leo T. Crowley to Cordell Hull, September 15, 1943, State Department Records, NA, RG59.

of Exports and Imports, Evaristo Araiza, a holdover from the original Commission, and Salvador Ugarte, a well-known Mexican banker. American representatives included Under Secretary of Commerce Wayne C. Taylor, who had also been a member of the previous Commission, Nelson A. Rockefeller, the Coordinator of Inter-American Affairs, and Thomas H. Lockett, the Economic Counselor of the United States Embassy in Mexico.

At its first meeting in Mexico City on September 20 the recently formed Industrial Commission unanimously adopted a Mexican proposal requesting the sponsoring Governments to consider it as a continuation of the original Commission "with facilities as broad as those of the latter and with a field of action as large as may be necessary for the study of the general problems of economic cooperation between the two countries and the concrete problems which will arise from the realization of the plan for the industrialization of Mexico..."²⁶ Presidents Camacho and Roosevelt approved the resolution, and the Foreign Office and Embassy in Mexico City exchanged notes to that effect on October 26. Thereafter the Industrial Committee was known by its predecessor's name, the Mexican-American Commission for Economic Cooperation. At its initial meeting the Commission named Primo Villa Michel its Chairman and Nelson Rockefeller Vice-Chairman.

The Mexican Government had felt compelled to suggest a broadening in the competence of the Commission since it considered a sound plan for industrialization must be based on a study of the entire Mexican economy, not only its industries. Any attempt to industrialize would be unsatisfactory, the Mexicans reasoned, unless all the forces at work within the

²⁶Resolution of Mexican-American Industrial Commission, September 21, 1943, State Department Records, NA, RG59.

economy were examined.²⁷

Due to the nature of its task the Commission decided most of its work would have to be done in Mexico where it established its headquarters. Since both Rockefeller and Taylor had important functions to perform in Washington, they opened an office of the Commission there with an American staff and some Mexican advisers. Plans for particular projects were drawn up by Mexican governmental or private agencies, often after consulting United States technicians, and submitted to the Mexican Section of the Commission for its consideration. Assuming approval at each stage of its examination, a project would go from the Mexican Section to Lockett, the United States resident Commissioner in Mexico City, then to the Washington Commissioners, and finally back to Mexico for formal Committee passage. The plan would then be forwarded via the American Embassy to the State Department for distribution to the licensing agencies of the United States Government.²⁸ In order to limit the number of requests for immediate delivery of new materials for Mexican industrialization, the American Commissioners carefully studied each project to determine if it could be delayed until after the war, and in those cases where it could not, to see if used machinery or machinery already available in Mexico could be substituted for recently produced United States goods.

To facilitate its work the American Section formed sub-committees composed of one or more experts in the fields of agriculture, transportation, communications, public works and sanitation, fisheries, tourism, power industry, iron and steel, chemicals, cement, pulp and paper, textiles

²⁷George S. Messersmith to Cordell Hull, September 24, 1943, State Department Records, NA, RG59.

²⁸Thomas Lockett to Nelson Rockefeller and Wayne Taylor, January 15, 1944, State Department Records, NA, RG59.

and miscellaneous. These subcommittees were staffed by members of the United States Embassy in Mexico City, the Office of the Coordinator of Inter-American Affairs, the Foreign Economic Administration and the Fish and Wildlife Service of the Department of Interior. Similar divisions were made by the Mexican Commissioners in the areas of transportation and communications, agriculture, highway transportation, civil aviation, public works and sanitation, and tourism. When discussing other subjects the Mexican representatives called in experts as needed.²⁹

After its initial meetings on September 20 and 21 when the resolution expanding its competence was drafted and approved, the Commission met on October 18, 1943, to consider a number of particular proposals, many of which had been recommended for completion by the original Committee in its final report. During this meeting eight projects including the Tequixquiac Tunnel, four cement factories, El Palmito Dam, and two iron and steel mills were approved.³⁰ These were the only proposals examined by the Committee in 1943 since a serious disagreement between United States governmental agencies over the method to be used in supplying materials for these projects caused a suspension in the formal activities of the Commission until early 1944.

The WPB took the position that the equipment furnished by the United States for projects approved by the Joint Economic Committee should be deducted from the minimum quota established for the maintenance of Mexico's wartime economy, while the State Department, strongly backed by Ambassador Messersmith, argued this material should be supplied over and above the minimum allocation. Until the issue was settled, the Mexican

²⁹Thomas Lockett to Nelson Rockefeller and Wayne Taylor, January 15, 1944, State Department Records, NA, RG59.

³⁰Ibid.

Commissioners, as a matter of principle, refused to make any proposals for the industrial development of their country.

In Messersmith's opinion the importance of the Economic Commission was far greater than that normally attributed to similar bodies because it was created as a result of "very fundamental conversations" between Presidents Camacho and Roosevelt and their "very fundamental desire" for collaboration, which they realized was in the interest of both countries. To insist material for Commission-approved projects should be charged against Mexico's minimum allocation was "quite out of line" with the ideas of the two Presidents.³¹ Moreover, the Ambassador pointed out, it would have been superfluous for the two leaders to talk of industrialization if they did not have in mind the delivery of goods outside the established quota, since such allocation was the bare minimum for maintenance of the Mexican economy and would permit no new development. He declared it was mandatory that all agencies of the Government agree as "a basic principle" to send to Mexico, in addition to the minimum quota, additional equipment for the completion of Commission-approved projects.³²

As the bureaucratic struggle in Washington continued into the new year, President Camacho stressed to Ambassador Messersmith the seriousness of the suspension in the work of the Economic Commission and urged him to redouble his efforts to resolve the impasse. The Mexican President reaffirmed the understanding he had reached with President Roosevelt that the necessary material for Commission proposals would be supplied over and above the minimum allocation, and he warned that if the WPB

³¹George S. Messersmith to Under Secretary of State Stettinius, December 12, 1943, State Department Records, NA, RG59.

³²Foreign Relations of the United States, 1944, Memorandum of Conversation by George S. Messersmith, January 27, 1944, Vol. 7, p. 1199.

decision was allowed to take precedence over the Presidents' agreement at Monterrey, the entire program of economic cooperation between the two countries would be jeopardized.³³

In an attempt to prevent the collapse of all he had worked for since his arrival in Mexico City, Messersmith traveled to Washington in mid-January, 1944, to discuss with President Roosevelt the nature of his understanding with President Camacho. Roosevelt told the Ambassador that he and his Mexican counterpart had definitely agreed during their April meeting that the material delivered to Mexico for specific industrial projects approved by both Governments would be outside of that country's regular allotment for her minimum needs.³⁴

Immediately following this meeting, Messersmith notified Donald Nelson, Chairman of the WPB, and FEA Director Leo Crowley of his conversation with the President. Nelson and Crowley both agreed, the former somewhat reluctantly, that it was impossible for Mexico to carry out a program of industrialization within her minimum allocation, and since it was President Roosevelt's desire to collaborate in this task, the WPB and the FEA, as the exigencies of the war permitted, decided to grant priority ratings to orders for materials destined for Commission-sanctioned projects and to deliver this equipment to Mexico outside her normal allocation.³⁵

With the supply issue finally resolved, the Joint Economic Commission resumed its work, which it interpreted as reviewing plans for specific proposals with a view to facilitating the shipment from the United States

³³Foreign Relations of the United States, 1944, Memorandum of Conversation by George S. Messersmith, January 27, 1944, Vol. 7, p. 1199.

³⁴Ibid., p. 1200.

³⁵Ibid.

to Mexico of critical material for those projects it approved. The first meeting of the Committee following the temporary suspension of its activities was held on February 11, 1944, at which time it was reported that equipment for all but one of the eight previously approved projects had been made available by the United States. The representatives adopted a resolution requesting that the United States governmental agencies involved "accord special treatment to projects approved by this Commission, to the end that the materials required may be furnished to Mexico as soon as practicable without interference to the common war effort and without encroaching upon the supply of materials to Mexico for its normal needs."³⁶ In effect this was what the WPB and the FEA had agreed to do the previous month.

It was also at this session that the Mexican Section of the Commission presented its Minimum 1944 Program, a list of twenty projects, six (El Palmito Dam, Altos Hornos iron and steel mill and four cement factories) already having been approved, for which the Mexican Government requested Committee approval and material support during the current year. The cost of the entire program was estimated to be \$23,940,000. The value of the material requested from the United States for this undertaking was placed at \$12,558,000 of which \$9,695,000 was for new equipment and \$2,863,000 for used machinery.³⁷ The Commission approved in principle the minimum program, but, at the insistence of the American Section, formal acceptance of the plan was withheld until each project could be individually studied.

³⁶Primo Villa Michel to Presidents Avila Camacho and Roosevelt, February 15, 1944, State Department Records, NA, RG59.

³⁷George S. Messersmith to Cordell Hull, March 14, 1944, State Department Records, NA, RG59.

In the order of priority established by the Mexican Government, the projects making up the Minimum 1944 Program together with their estimated annual capacity were: 1) one iron and steel mill--45,000 metric tons; 2) three textile mills--2,721 metric tons of rayon yarn and 1,819 metric tons of cotton yarn; 3) seven cement factories--386,400 metric tons; 4) one pulp and paper mill--10,500 metric tons of pulp and 9,500 metric tons of paper; 5) three steam and two hydro-electric power plants--72,500 kilowatts; 6) one irrigation dam--250,000 acres; 7) one fertilizer plant--12,800 metric tons; and 8) one penicillin plant--1,000,000 ampules.³⁸

In similar letters of March 31, 1944, to Donald Nelson and Leo Crowley, Secretary of State Hull announced State Department approval of the 1944 plan and recommended that the WPB and FEA authorize production and delivery of the materials needed to complete the various projects listed above. Hull remarked that the Department was influenced in its decision by the fear that failure to make substantial progress towards completion of this program could cause serious internal problems for President Camacho which might adversely affect United States-Mexican relations.³⁹ The WPB replied it had committed itself to supporting the 1944 minimum plan for Mexican development.

While the American Section of the Commission was still investigating the individual projects prior to formal Commission action on the entire package, President Roosevelt, without the knowledge of the State

³⁸Bulletin of the Pan American Union, Vol. 77, No. 4 (April, 1945), pp. 211-216.

³⁹Foreign Relations of the United States, 1944, Secretary of State to Chairman of the War Production Board (Nelson), March 31, 1944, Vol. 7, pp. 1203-1205.

Department, sent a letter to President Camacho praising the 1944 program as "a carefully planned and realistic step toward strengthening the Mexican economy" and "a concrete expression of the broad economic strategy on which you and I agreed during our meeting at Monterrey." It gave him great satisfaction, Roosevelt continued, as he was sure it gave Camacho, "to see this tangible proof of the esteem and close economic ties that underlie the military alliance of our two countries." Finally the President flatly stated the entire program had been approved by the United States, and he encouraged Mexico, in view of America's acceptance of her short-term projects, to begin preparation of long-range development plans.⁴⁰

The State Department viewed the President's letter as having created a firm commitment which the Mexican Government was entitled to interpret as signifying total support for the Minimum 1944 Program in its entirety. The Department warned that the good faith of the United States would be questioned if the program was delayed on the grounds the Commission had not yet formally approved the projects.⁴¹ Since it is a certainty the Economic Committee would have ultimately approved the entire program, the President's letter had little effect other than perhaps speeding up Commission acceptance of the proposal.

Between its March meeting when the 1944 program of twenty short-term projects was first submitted and early November, 1944, the Commission held four meetings during which about thirty long-term proposals were studied and approved. By that time, it had been unofficially learned that

⁴⁰ President Roosevelt to President Avila Camacho, May 11, 1944, Secretary's File, Box 14, Roosevelt Library.

⁴¹ Memorandum, Division of Mexican Affairs (Carrigan), September 6, 1944, State Department Records, NA, RG59.

the WPB was about to announce a new policy whereby only material requisitions for Commission-approved projects having a direct connection with the war effort would be given priority ratings by that agency. The Mexican Commissioners felt if this policy was adopted the Economic Committee could serve no useful purpose since they viewed its main function as one of securing export licenses and WPB priority ratings for Mexican projects.⁴² When public notification was made of the WPB decision, the Mexican representatives recommended to their Government that the work of the Commission be terminated.

Ambassador Messersmith reluctantly notified the State Department of his concurrence with the recommendation that the Economic Commission should cease to operate. Since the Mexicans judged the Committee's success by its ability to gain priority ratings for its projects, and since the WPB indicated there was no possibility it would reverse its decision, Messersmith reasoned it would be better to dissolve the Commission then, rather than wait until it had become ineffective and bad feelings existed.

The Ambassador reported that the Mexicans considered the adoption of the Minimum 1944 Program in its entirety was the major accomplishment of the joint body. He said that all of the twenty projects making up the program had been given preferential treatment by United States agencies with the exception of two planned textile mills which the Camacho Administration considered as being very important to the development of the Mexican economy. The WPB had originally indicated the two projects would probably be given priority ratings in September, but that had not been done, and the mills were in danger of remaining unrated. Messersmith

⁴²George S. Messersmith to Secretary of State, November 8, 1944, State Department Records, NA, RG59.

felt the work of the Commission could not be considered complete unless these two projects were rated. He strongly recommended that the State Department urge the WPB to grant priority ratings to the textile mills so the Commission could report to the two Presidents that all 1944 minimum projects had been rated.⁴³ On November 19, 1944, in a personal letter to Acting Secretary of State Stettinius, the Ambassador pleaded for WPB action on the two remaining projects in the interest of maintaining America's good relationship with Mexico and in the interest of terminating the work of the Commission in the near future with good feelings on both sides.⁴⁴

In early December Stettinius requested the Chairman of the WPB to grant priority ratings for the textile mills. Shortly thereafter the Department was informed that the WPB would be unable to comply with the Secretary's request, but would make every effort to see these two projects were given preferential treatment among unrated orders provided this did not interfere with the production of defense equipment. The WPB estimated the material for the mills would be produced in the spring or summer of the following year.⁴⁵

In December both Mexico and the United States definitely decided the work of the Economic Commission should be terminated, and a final report of its accomplishments made to the two Presidents. This report would consist of two sections, a general summary for publication and a detailed project-by-project review for private governmental use. This

⁴³ Foreign Relations of the United States, 1944, George S. Messersmith to Secretary of State, November 8, 1944, State Department Records, NA, RG59.

⁴⁴ George S. Messersmith to Acting Secretary of State Stettinius, November 19, 1944, State Department Records, NA, RG59.

⁴⁵ Memorandum of Conversation between State Department and War Production Board Officials, December 12, 1944, State Department Records, NA, RG59.

procedure was agreed to since it was felt Washington would be accused by the other American Republics of having given preferential treatment to Mexico if a detailed synopsis of the Committee's activities were published.⁴⁶

The thirteenth and final meeting of the Mexican-American Commission for Economic Cooperation was held on January 29, 1945. Its Chairman, Primo Villa Michel, read a letter addressed to the Commission by Nelson Rockefeller who had been appointed Assistant Secretary of State and whose attendance was prevented by preparations for the approaching Chapultepec Conference. The Committee, Rockefeller stated, had approved a total of fifty-eight projects, over half of which were already completed or nearing completion with the balance being considered as rapidly as the war effort would permit. After approving the final report and hearing statements of appreciation from both sides, the Commission adjourned sine die.⁴⁷

In its final report to the Presidents the Commission announced it had approved a total of fifty-eight projects of which the Minimum 1944 Program accounted for twenty, thirty-one were listed as long-term undertakings and seven as important miscellaneous projects. The greatest percentage of the material required for these projects had either been delivered to Mexico or was being produced in the United States at that time.⁴⁸ The Committee acknowledged its primary function had been the obtaining of priorities and export licenses for equipment required to complete projects it had approved.

Contained in its report was the Commission's estimate of Mexico's

⁴⁶Thomas Lockett to Nelson Rockefeller and Wayne Taylor, December 20, 1944, State Department Records, NA, RG59.

⁴⁷Thomas Lockett to Secretary of State Stettinius, February 6, 1945, State Department Records, NA, RG59.

⁴⁸U. S., Department of State Bulletin, Vol. 12, No. 293, February 4, 1945, pp. 157-160.

long-term capital goods requirements. Based on the thirty-one long-range projects already approved, as well as others considered necessary for a well-planned modernization and industrialization program, the representatives calculated Mexico would be required to import equipment valued at \$94 million through 1947 and \$43 million in 1948. The cost of carrying out the entire program, including the value of materials available in Mexico was set at \$383 million.⁴⁹

Prior to the final meeting of the Joint Commission Presidents Roosevelt and Camacho exchanged letters expressing their overall satisfaction with the results of this effort at economic cooperation. In his note to the Mexican President, Roosevelt stated:

Although in 1943 and 1944 the industry of the United States, through conversion and expansion, was primarily engaged in the production of war materials, it was nevertheless possible to make available and supply to Mexico...more products in those years than during any similar period of time in the trade between the two countries. I am also grateful to know that in 1944, a year of tremendous demands upon the industry and economy of the United States, my country was able to meet the requirements of Mexico for materials and equipment for the maintenance and development of its economy in amounts greater than it had received from all world sources in any year preceding the war.⁵⁰

The Mexican press received the Commission's report with a great deal of enthusiasm, praising the United States for its unselfish cooperation in Mexico's industrialization process. One of the nation's leading newspapers remarked that American assistance was not motivated by a desire to increase her exports or seize large shares of the world market,

⁴⁹U. S., Department of State Bulletin, Vol. 12, No. 293, February 4, 1945, pp. 157-160.

⁵⁰Ibid., p. 156.

but rather by a real concern for Mexico and her people.⁵¹

The combination of Mexican hard work and United States collaboration began to pay dividends very quickly as projects recommended by the Economic Commission were completed to a limited degree during the war, and to a much greater extent in the post-war years. The textile industry was one sector of the Mexican economy where almost immediate improvements were noted due, in no small way, to the support received from the United States through the Joint Committee. In 1941 Mexico exported 331 tons of cotton cloth to eight countries. By 1946 she shipped 14,712 tons of the same material to twenty-nine markets.⁵²

Great increases were also realized in Mexican production of steel and cement. When comparing the years 1940 and 1960 it is noted that production of steel rose from 149,414 tons to 1,539,537 tons, while in the case of cement the growth was from 485,000 tons to 3,086,126 tons.⁵³

There is little doubt the Economic Commission performed a valuable service in helping Mexico acquire industrial materials during a period when they were particularly scarce. It may be considered that this cooperation was exclusively beneficial to Mexico, and it may be wondered what Mexico did in the commercial area to assist the United States. Mexico's most significant contribution to the war effort, her delivery of vast sums of strategic materials necessary in the manufacturing of so many implements of war, is the subject of the next chapter.

⁵¹El Nacional, editorial, February 1, 1945.

⁵²Foreign Commerce of Mexico 1941-1948 (Washington: Pan American Union, September, 1950), p. 24.

⁵³Frank Brandenburg, The Making of Modern Mexico (Englewood Cliffs: Prentice-Hall, Inc., 1964), pp. 276, 284.

CHAPTER VII

MEXICAN STRATEGIC MATERIALS

By the summer of 1940 France and the Low Countries had been overrun and Great Britain stood alone against Germany. The United States was already sending war supplies to Britain and accelerating its own defense preparations. At that time a decision was made in Washington at the highest levels of government to begin stockpiling large quantities of materials to be used in manufacturing military equipment for use by the Allies and, if necessary, by American armed forces. One of the first steps in this effort was the creation on July 1, 1940, by the Reconstruction Finance Corporation, itself a subsidiary of the Federal Loan Agency, of two subordinate corporations, the Rubber Reserve Company and the Metals Reserve Company, with power to acquire and hold strategic and critical materials needed by the United States to implement its defense program.¹

President Roosevelt was troubled during the early 1940's by the Latin American Countries' loss, due to the war, of their European markets, which accounted for about 40 percent of their normal commerce. He instructed all federal agencies to give "sympathetic consideration" to Latin American products when purchasing strategic materials. "When buying in foreign markets for defense needs," the President remarked, "it is my earnest desire that priority of consideration be given to

¹Federal Loan Agency Press Release No. 36, July 1, 1940, Records of the Department of State, National Archives. Record Group 59. Hereafter cited as State Department Records, NA, RG59.

Latin American products and I so request."² Roosevelt's action was motivated by the fear that a drastic reduction in foreign trade could cause economic and political disturbances in some of the Latin American Republics, rendering the task of hemispheric defense more difficult and costly.

During 1940 and early 1941 large quantities of Mexican strategic materials were sent to Japan, where in turn a large percentage of them were reexported to Germany since direct trade between Mexico and Germany was impossible due to the British blockade of the European mainland. Mexico was at that time delivering to Japan not only domestically produced goods, but also some metals which had been imported from the United States. In 1940 well over half of Mexico's 12,000 flask output of mercury went to Japan which was in addition the second largest importer of Mexican zinc.³ Substantial quantities of lead, antimony, mica, copper, vanadium, scrap metals, graphite and oil were also leaving Mexican ports destined for Japan.

The United States was concerned with the large number of commercial transactions between Latin America and the Axis countries during the early stages of the war in Europe, but American officials considered the most serious problem to be the large sales of Mexican mercury to Japan. This metallic liquid was extremely important at that time since fulminate of mercury was used in the percussion caps of all ammunitions and in all artillery shell fuses.⁴ Japan produced very little mercury

²President Roosevelt to Secretary Hull and Under Secretary Welles, September 27, 1940, State Department Records, NA, RG59.

³Memorandum of Conversation by Adviser on International Economic Affairs, December 19, 1940, State Department Records, NA, RG59.

⁴The New York Times, January 14, 1941.

domestically, and her reliance on overseas commerce for this critical material represented one of her most important strategic weaknesses.

In the pre-war years a seventy-nine pound flask of mercury cost about \$175 on the world market. In early 1941 Japan offered Mexico \$213 per flask, which induced the latter's monthly mercury production to rise from 1,000 to 2,100 flasks, all of which was shipped to the Orient.⁵

The War Department's Intelligence Division reported Mexico, the world's second or third leading producer of mercury, was exporting to Japan more than the entire 1939 United States domestic consumption of that material.⁶

In order to combat this dangerous flow of mercury to a potential enemy, the United States Government embarked on a program of protective or preclusive buying, offering Mexico a price \$50 per flask higher than that paid to domestic producers.⁷

This endeavor represented only a temporary or stopgap measure until a more effective and economical control system could be devised. Almost immediately apparent trial balloons were launched in the American press in an effort to ascertain Mexico's view to an agreement whereby the United States would purchase her entire output of strategic materials. An unofficial reply from Mexico indicated that President Camacho would welcome an accord with the United States designed to halt the flow of critical goods to the Axis. The Mexican President was not in favor of supplying Berlin and Tokyo with vital war materials, but his country's mining industry was already depressed and he could not, in the interest

⁵Memorandum of Conversation by Adviser on International Economic Affairs, March 17, 1941, State Department Records, NA, RG59.

⁶The New York Times, January 7, 1941.

⁷Memorandum by Military Intelligence Division, War Department, General Staff, June 11, 1941, State Department Records, NA, RG59.

of his nation's economy, prohibit the shipment of goods to Japan without assurances that the output of Mexico's mines would be purchased in another market.⁸

Secretary of State Hull notified Ambassador Josephus Daniels on March 13, 1941, that the Department was preparing a circular instruction directing the Chiefs of United States Missions in Latin America to approach the Governments to which they were accredited with a view to reaching an agreement on the imposition of export controls by the American Republics. The envisaged controls would regulate all goods received from the United States which were subject to American export controls and all strategic materials produced in Latin America. Daniels was requested to seek the approval of the Camacho Administration to the immediate application of export controls along those lines pending full consideration of the regulations suggested in the circular instruction, which was finally sent out from the State Department on the first of April.⁹

Daniels raised the issue of export controls with Jaime Torres Bodet, Mexican Under Secretary for Foreign Affairs, who replied that his country would be willing to strictly regulate the export of critical goods as soon as a list of those materials to be controlled was mutually agreed upon, and the United States guaranteed it would purchase the Mexican output of the regulated products at the current United States market price.¹⁰

Federal Loan Administrator Jesse Jones announced the agency he

⁸The Washington Post, January 20, 1941.

⁹Foreign Relations of the United States, 1941, Cordell Hull to Josephus Daniels, March 13, 1941, Vol. 7, p. 403.

¹⁰Foreign Relations of the United States, 1941, Josephus Daniels to Cordell Hull, March 26, 1941, Vol. 7, p. 404.

directed was willing to enter into an agreement with the Mexican Government subject to the following stipulations:

- 1) The Mexican Government would agree to bar shipment of antimony, arsenic, bismuth, cadmium, cobalt, copper, fluorspar, graphite, henequen, lead, manganese, mercury, mica, molybdenum, tin, tungsten, vanadium and zinc to countries other than the United States and American nations imposing similar restrictions.
- 2) the Federal Loan Agency through its subsidiaries would purchase the Mexican production of these materials not sold through normal supply channels in other American markets.
- 3) the price would be a matter of negotiation between the two Governments.¹¹

This proposal was accepted as a basis for negotiations by the Mexican Government which stated it was willing not only to regulate those materials on the Federal Loan Agency list, but all goods controlled by the United States which were produced in Mexico. As an indication of her intention to cooperate in controlling exports, Mexico, at the request of the United States, prohibited the shipment of all scrap iron to other than American countries.¹²

Negotiations for the purpose of reaching an agreement on Mexican imposition of export controls were begun between Luciano Wiechers, the economic adviser of the Bank of Mexico, and Walter Douglas, special representative of the Federal Loan Agency and former president of the Southern Pacific Railroad of Mexico. As the discussions began on June 9, 1941, Foreign Minister Padilla remarked that as the world situation continued to deteriorate commercial interchange could not "be trusted to

¹¹Cordell Hull to Josephus Daniels, May 10, 1941, State Department Records, NA, RG59.

¹²Josephus Daniels to Cordell Hull, May 20, 1941, State Department Records, NA, RG59.

chance" and "reciprocal foresight and a mutual plan" were necessary to insure trade flowed through the desired channels.¹³

Meetings between the two negotiators continued for about a month before it was announced that a two-part understanding had been reached which proved acceptable to both Governments. On July 15, a presidential decree was published in the Diario Oficial forbidding the shipment of those materials listed in the original Federal Loan Agency proposal to non-American countries and to any American nations which did not adopt similar export restrictions. The second part of the agreement consisted of a letter from Douglas to Wiechers stipulating that, so long as the provisions of the decree were effectively implemented by the Mexican Government, the Metals Reserve Company and the Defense Supply Corporation would for a period of eighteen months purchase at the prevailing market price Mexico's production of the controlled materials not absorbed in normal commerce with American countries.¹⁴ The letter also stated that the United States as permitted by war production demands would deliver to Mexico as much equipment as possible for her industrialization program.

News of the July 15 understanding was well received in Mexico City except by those elements of Mexican society which harbored pro-Axis sympathies. The headlines of the capital's German-controlled newspaper announced: "Mexico has been sold at auction by business with the Yankees." An article went on to say that traffic in slaves had not yet ceased as evidenced by the sale of twenty million Mexicans as a result of Avila Camacho's decree. Many people had served as slaves of more cultured races, the paper continued, but Mexico had been subjugated by the most

¹³ Josephus Daniels to Cordell Hull, June 11, 1941, State Department Records, NA, RG59.

¹⁴ Diario Oficial, July 15, 1941.

foolish of all nations.¹⁵

For many years Japan had supplied Mexico's textile industry with huge quantities of rayon thread without which the industry would have become quite depressed. As soon as the effects of Mexico's export controls began to be felt by the Axis, Japan attempted to exchange large shipments of rayon for strategic materials covered by the United States-Mexican agreement. The Mexican Textile Workers Union reported serious consideration was not given to the Japanese offer because "Mexican and hemispheric security were more important."¹⁶ Foreign Minister Padilla notified the Japanese that such an arrangement was not desired and thanked the United States for its efforts to increase rayon exports to his country.

In the months following the publication of the presidential decree regulating Mexican exports, a curious change was noted in the figures indicating the country's mercury output. Prior to July, Mexico's production of mercury had varied between 2,000 and 2,500 flasks per month. Without warning, the figure dropped to 1,200 flasks for August and even lower to less than 400 for September. This apparent decrease in production worried American as well as Mexican officials who ordered a detailed investigation be undertaken in cooperation with United States and British agencies to determine what had happened to cause such a sharp diminution in reported output.

Within a very short period the investigators discovered why the figures showed a decrease in mercury production. It was determined that a producer, after paying the Mexican aforo and United States import tax, cleared \$105 per flask when sold in America while a similar sale on

¹⁵La Semana, July 15, 1941.

¹⁶The New York Times, August 18, 1941.

the Japanese market brought \$179--a difference of \$74 per flask!¹⁷ In early October Mexican authorities seized the Azuma Maru as the vessel attempted to sail for Japan with 347 drums of "bronze parts." A search of the ship disclosed that each of the 347 drums actually contained five flasks of mercury.¹⁸ Smuggling activities were quickly controlled, and by December, 1941, Mexican figures indicated that once again mercury was being produced at a rate of more than 2,000 flasks per month.

December was also the month in which President Camacho issued another decree designed to regulate exports. This second proclamation, described by the Foreign Office as a measure adopted to prevent the re-exporting of goods imported from the United States, and therefore complementary to the decree of July 15, controlled the exportation of aluminum, tin plates in sheets, reinforcing bars, structural iron, steel, scrap iron, black sheet, galvanized sheet, black and galvanized pipe, hand tools, calcium carbide, wood, oats, cotton waste, hides, grain seeds, cement, amorphous phosphorus, medicinal products and bones.¹⁹

In early 1942 the Federal Loan Agency informed the State Department that Dr. Alan Bateman, a professor of geology at Yale University, was being sent to Mexico as a special representative of the Metals Reserve Company to conduct a survey of mineral reserves in Mexico for the purpose of making recommendations for increasing the production of strategic materials.²⁰ As part of a distinct program with a similar goal, the

¹⁷Strother Holland Walker, "The Case of the Missing Mexican Mercury," Harper's Magazine, Vol. 185 (September, 1942), pp. 387-393.

¹⁸War Department Memorandum, October 6, 1941, State Department Records, NA, RG59.

¹⁹United States Embassy in Mexico to Secretary of State, December 23, 1941, State Department Records, NA, RG59.

²⁰On February 24, 1942, the Federal Loan Agency was abolished and its functions wholly assumed by its former subsidiary, the Reconstruction Finance Corporation.

United States Geological Survey cooperated throughout the war with the Instituto de Geologia in studying Mexican mineral deposits, always with the primary aim of increasing production.

Most of the critical minerals received from Mexico were used in the United States while a small percentage of them were reexported to America's allies. In February the British Government inquired if the United States would be willing to modify its agreement with Mexico to permit the United Kingdom to procure strategic materials directly from Mexico rather than from Mexico via the United States. Having no objection to the British proposal, the State Department instructed the American Embassy in Mexico City to raise the issue with the Foreign Office.

Before approaching the Mexican Government on this subject, Ambassador Messersmith notified Secretary Hull he was not in favor of allowing the British to deal directly with the Mexicans. He felt that the United States should retain some control over such transactions and suggested instead that British representatives in Washington notify the State Department when the purchase of critical materials from Mexico was contemplated. United States officials would then, under the Ambassador's plan, examine the proposed British requisition, and if found to be acceptable, the Department would request Mexico to ship the items directly to England.²¹

Messersmith's views were overridden within the Department, and he was directed to request a modification of the July 15, 1941 accord which would permit Britain to go directly to Mexico with her orders for strategic materials provided, in each instance, the United States would be given the opportunity to state any objections it had to the delivery to England

²¹George S. Messersmith to Secretary of State, March 7, 1942, State Department Records, NA, RG59.

of the goods requested. The Mexican Government was willing to amend the purchase agreement with the United States provided the latter would renew its assurances that the guarantees provided in the Douglas-Wiechers understanding would be strictly applied, i.e. the American Government would continue to purchase all Mexican controlled materials not absorbed in normal supply channels. In addition, the Foreign Office was in favor of applying the modification not only to the United Kingdom, but also to China and the Soviet Union.²²

After receiving a United States pledge that the provisions of the Douglas-Wiechers letter would be meticulously observed, President Camacho modified his July 15 decree to permit direct shipments of strategic materials to the British Empire and its mandated territories, the Irish Free State, China and the Soviet Union.²³ Although the path was then clear for critical Mexican exports to go directly to several of the United Nations, in reality the modification which occurred on May 7, 1942, had only a very minimal effect on the increasing flow of strategic materials from Mexico to the United States.

At the same time the two Governments agreed to a second modification of the Douglas-Wiechers understanding which affected the three metals imported from Mexico to the United States in the largest quantities and also froze the domestic taxes and transportation rates charged the Mexican producers of strategic materials. This second alteration of the basic accord was negotiated by Finance Minister Eduardo Suárez and Dr. Alan Bateman, the special representative of the Metals Reserve Company.

²²George S. Messersmith to Cordell Hull, March 24, 1942, State Department Records, NA, RG59.

²³George S. Messersmith to Cordell Hull, May 12, 1942, State Department Records, NA, RG59.

Under the terms of the Bateman-Suárez Agreement the price of Mexican lead, zinc and copper, instead of being determined by prevailing prices on United States markets, was fixed at 5.4 cents, 8.25 cents and 10 cents per pound respectively, and the maximum annual quantity of these minerals the United States was obligated to purchase was set at 250,000 tons of lead, 200,000 tons in the case of zinc, and 75,000 tons for copper. This understanding did not restrict American purchases to these figures and in the case of zinc the obligation was exceeded during every year of the war. In addition it was stipulated that the Mexican Government could not increase existing taxes or freight rates on minerals and metals or impose any charges or levies which would affect the net return to the producers of the materials regulated by the July 15, 1941 decree. This provision was included to prevent marginal producers from being forced out of business. The Bateman-Suárez Agreement was to remain in force for one year and thereafter until renounced by either Government.²⁴

Mexico produced great quantities of guayule and other plant rubber, but only very limited amounts of tree rubber. In an effort to provide the impetus for expanded production of tree rubber, an agreement was signed in July, 1942, between Secretary of Agriculture Wickard and Mexican Minister of Agriculture Marte R. Gomez under which the former undertook to supply technicians and young trees for the planting of a demonstration rubber plantation in Mexico designed to teach planting and propagation skills as well as proper tapping, coagulation and smoking techniques.²⁵

An understanding was reached between the Rubber Reserve Company

²⁴Finance Minister Eduardo Suárez to Dr. Alan Bateman, April 29, 1942, State Department Records, NA, RG59.

²⁵Excelsior, July 30, 1942.

and the Mexican Government in September, 1942, according to which the United States would make available to Mexico an amount of tree rubber which when added to Mexico's annual domestic production would equal 4,500 tons. Rubber Reserve also agreed to provide \$1.5 million to be used under its direction for development of the rubber industry in Mexico. The pact provided that the Mexican Government would sell yearly to the United States rubber tires and tubes with a rubber content of at least 1,350 tons. In addition, Mexico promised to deliver exclusively to Rubber Reserve its entire output of plant rubber at a fixed price of 28 cents per pound, which price was subject to adjustment after two years, and to initiate a rubber conservation program within its borders. Moreover, the Mexican Government agreed, in an attempt to promote production, not to levy direct taxes on its rubber industry during the life of the accord which was to remain in effect until December 31, 1946, unless suspended sooner by mutual consent.²⁶

In Ambassador Messersmith's opinion the rubber pact with Mexico was the most favorable agreement of this type the United States made during the war. Basically, Messersmith pointed out, America promised to export annually to Mexico about 4,500 tons of tree rubber, two-thirds of the latter's normal consumption, seventy percent of which could be used for Mexico's internal use while thirty percent had to be returned to the United States in the form of tubes and tires. Thus, the Ambassador argued, in exchange for supplying Mexico with tree rubber amounting to about fifty percent of her normal domestic consumption, Mexico agreed to make available to the United States her entire output of guayule and

²⁶George S. Messersmith to Cordell Hull, September 9, 1942, Department of State Records, NA, RG59.

other plant rubber.²⁷

Shortly after signing the agreement with the Rubber Reserve Company, the Mexican Government created a National Rubber Control Commission with the Secretary of National Economy, F. Javier Gaxiola, as its chairman. The Commission's responsibilities included the adoption of methods for increased production and distribution of rubber, preventing its waste, and working with Rubber Reserve to identify the most productive expenditure of the \$1.5 million provided by the United States for development of the Mexican rubber industry.²⁸ Commission recommendations for rubber conservation, later adopted by President Camacho, included restricting the use of rubber to the manufacture of essential products, which saved an estimated 16 percent of Mexico's normal rubber consumption, and limiting production of passenger car tires and tubes to 75 percent of the 1941 level.²⁹

In addition to the major understandings with the Metals Reserve Company and the Rubber Reserve Company, Mexico concluded several agreements of lesser importance with United States Government agencies. The Defense Supplies Corporation contracted for the entire Mexican output of henequen, ixtle de palma, sisal, lechuguilla and jaumave, all of which are cordage fibers used in the manufacture of rope and twine which were in great demand during the war.³⁰ The Foreign Economic Administration

²⁷Memorandum of Conversation, George S. Messersmith and Vice-President Henry Wallace, January 31, 1943, Messersmith Papers, Box 3, Correspondence Folder A, University of Delaware.

²⁸George S. Messersmith to Cordell Hull, October 9, 1942, State Department Records, NA, RG59.

²⁹George S. Messersmith to Cordell Hull, May 20, 1943, State Department Records, NA, RG59.

³⁰Chargé in Mexico to Secretary of State, January 22, 1943, State Department Records, NA, RG59.

entered into a purchase agreement with the Mexican Government for the entire exportable amount of various agricultural products, especially castor seed and oil, peanuts and oil, rapeseed and oil, sesame seed and oil, sunflower seed and oil, beans, garbanzos, rice and alcohol.³¹

The Douglas-Wiechers Agreement of July, 1941, in accordance with its terms expired on January 14, 1943, eighteen months after it entered into force. Although they were not under a contractual obligation to do so, both sides carried out its provisions as long as the Bateman-Suárez Pact survived. The United States was content with this arrangement since Government officials felt any attempt to renew the Douglas-Wiechers Agreement would cause Mexico to press for certain changes which could result in less favorable conditions from a United States viewpoint.³²

Although it never caused a major problem, the United States was somewhat concerned that when the direct shipments from Mexico of strategic materials were added to the minimum allocation from the United States for the maintenance of their economies, some Latin American countries were receiving larger quantities of certain critical materials than were actually needed to maintain their wartime economic standards. At the direction of the State Department the American Embassy in Mexico City discussed with the Camacho Administration in January, 1943, the possibility of Mexico either sending all exportable strategic materials directly to the United States where shipments to the other American Republics, Britain, China, and the Soviet Union would be controlled, or entering into an agreement with the United States which would fix export

³¹Agreement between Foreign Economic Administrator and Mexican Government, February 15, 1944, State Department Records, NA, RG59.

³²Charge in Mexico to Secretary of State, February 5, 1943, State Department Records, NA, RG59.

quotas, not in excess of essential needs, for the Latin American countries. Secretary Gaxiola informed the Embassy that the first alternative was not practical since Mexico could not permit a foreign government to control her exports. In his opinion the second proposal would be acceptable, but it would have to be carefully studied by other agencies of the Government before a formal agreement could be reached.³³

In late March the Foreign Office notified the American Embassy it would be unable to accept either of the United States alternatives. Mexico had made a very careful study of its exports of minerals to countries other than the United States which showed that only in the cases of mercury, tungsten and tin did exports of controlled materials to other markets exceed one percent of the quantities made available to American buyers. The Ministry of Foreign Affairs did not feel that such small amounts of minerals would have an appreciable effect on United States production. When the Douglas-Wiechers Agreement was made, the Foreign Office continued, Mexico notified its Latin American neighbors that deliveries of regulated materials would be suspended unless they devised effective controls. Many countries adopted rigid export restrictions. If in spite of this, Mexico attempted to limit shipment of materials to these countries it would be interpreted by many as evidence of bad faith on Mexico's part. Finally, the Mexican Government declared it had no intention of increasing trade in strategic materials with any nation other than the United States and offered to make available to the State Department all data on its foreign commerce. In making its reply to the Embassy the Foreign Office supplied the figures listed in Table 7-1

³³Charge in Mexico to Secretary of State, February 5, 1943, State Department Records, NA, RG59.

on Mexican exports for the second half of 1941 and all of 1942.³⁴

TABLE 7-1

MEXICAN EXPORTS OF STRATEGIC MATERIALS³⁵
JULY 1941-DECEMBER 1942

<u>MATERIAL</u>	<u>EXPORTS TO UNITED STATES (in Kilos)</u>	<u>EXPORTS TO OTHERS</u>	<u>PERCENTAGE TO OTHERS</u>
Copper	74,040,945	0	0
Lead	298,899,828	1,428,467	0.48
Graphite	29,532,867	3,465	0.011
Mercury	1,207,545	42,544	3.5
Zinc	274,945,207	2,013,123	0.73
Antimony	16,828,143	157,517	0.94
Arsenic	24,269,607	225,144	0.93
Cadmium	1,463,996	0	0
Tin	83,514	43,130	51.64
Tungsten	143,233	2,641	1.84
Molybdenum	1,947,403	2,092	0.15
Manganese	12,277,860	0	0
Bismuth	193,157	0	0
Vanadium	598	0	0

When he visited Mexico in April, 1943, for consultations with President Camacho, President Roosevelt noted his complete satisfaction with that country's program of supplying ever-increasing quantities of strategic materials to the United States and its allies. "The determination

³⁴Memorandum, Mexican Foreign Office to United States Embassy, March 29, 1943, State Department Records, NA, RG59.

³⁵Ibid.

of the Mexican people and of their leaders," Roosevelt remarked, "has led to production on an all-out basis of strategic and vital materials so necessary to the forging of the weapons destined to compass the final overthrow of our common foe. In this great city of Monterrey I have been most impressed with the single-minded purpose with which all the forces of production are joined together in the war effort."³⁶

The Bateman-Suárez Agreement was negotiated for a period of one year and thereafter until terminated by either side. The first year of the understanding expired on April 23, 1943, and, as was the case with the Douglas-Wieehers Paet, the United States did not wish to give Mexico the opportunity to propose any modifications to such a favorable accord, particularly with regard to the freeze on Mexican taxes and freight rates as applied to strategic material production. Ambassador Messersmith was directed by Secretary of State Hull to point out to Foreign Minister Padilla that the agreement had worked so well for both sides that it should be "extended" through an exchange of notes for a second year and thereafter until renounced by either Government upon providing six months written notice. Messersmith was cautioned not to use the word "renewal" since it could cause Mexico to offer some modification to the original understanding.³⁷

Padilla was in favor of extending the agreement for another year, but Finance Minister Suárez argued for a renewal of the understanding with certain changes granting Mexico more liberty to regulate taxes in the mineral industry. President Cárdenas, after hearing both of his

³⁶U. S., Department of State Bulletin, Vol. 8, No. 200, April 24, 1943, pp. 348-349.

³⁷Cordell Hull to George S. Messersmith, May 5, 1943, State Department Records, NA, RG59.

advisers, decided to continue the pact without modification, and instructed Padilla to so inform the American Embassy. The Mexican Chief Executive stated that relations between his country and the United States were so good that the agreement should be continued without change, and he was sure if as a result of such extension any iniquities or inequalities developed the United States on its own initiative would correct them. After hearing from Padilla, Messersmith delivered to the Foreign Office a note dated May 24, 1943, which proposed that the Bateman-Suárez Agreement be extended for an additional year.³⁸

In early June Ambassador Messersmith was informed by Eduardo Suárez that President Camacho had second thoughts about simply extending the agreement and was considering a modification which would allow the Mexican Government to increase its revenue by immediately raising freight rates on mineral shipments, and would commit the two Governments three months prior to the termination of the year extension to consider additional freight hikes. The Finance Minister described the proposed transportation increases as small, but in most cases they would raise the existing rate by 50-75 percent. Dr. Bateman who had been given a leave of absence from Yale University in late 1942 to assume the position of Chief of the Metals and Mineral Division of the Board of Economic Warfare, and who was in Mexico at the time for the extension of the Bateman-Suárez Agreement, told Suárez such a proposal was not acceptable since it would force marginal producers out of business and thus reduce the quantities of strategic material shipped to the United States.³⁹

³⁸George S. Messersmith to Cordell Hull, May 24, 1943, State Department Records, NA, RG59.

³⁹George S. Messersmith to Secretary of State, June 29, 1943, State Department Records, NA, RG59.

Suárez was informed, however, that should Mexico be willing to extend the present agreement for a period of one year, the United States would not be opposed to discussing with the Mexican Government, three months prior to the expiration of the extension, the feasibility of freight increases to be applied after the one year extension. The Finance Minister relayed Bateman's counter-proposal to President Camacho who, for the second time, decided the present agreement should be continued without alterations. On June 23 Ambassador Messersmith sent a second note to the Foreign Office, similar to the original of May 24, proposing that the Bateman-Suárez Agreement be continued until April 29, 1944, with the stipulation that three months prior to that date consultations would take place on proposed freight increases which in no case could become effective prior to the completion of the extension. Foreign Minister Padilla replied the following week, causing the pact to remain in effect for another year and thereafter until terminated by either party with six months advance notice.⁴⁰

In December, 1943, Dr. Bateman again traveled to Mexico to inform Finance Minister Suárez that the United States was approaching a surplus position with respect to certain minerals which would necessitate a decrease in American purchase of strategic materials. Bateman said that if prices for most of these products changed during the coming year, such change would probably be in a downward direction, and the United States could not be expected to pay higher prices caused by an increase in tax rates or freight charges. Suárez was told that some thought had been given in the United States to terminating the mineral purchase agreements, and that if they were to remain in effect, consideration would have to be

⁴⁰George S. Messersmith to Secretary of State, June 29, 1943, State Department Records, NA, RG59.

given to modifications which would permit shorter termination notice, smaller obligated purchases, and perhaps lower prices. Bateman said he was providing this information to give Mexico the opportunity to adjust to lower production levels. Suárez replied that an abrupt renunciation of the purchase agreement could cause a change in Mexico's attitude toward providing those minerals still needed for defense manufacturing and agreed to recommend to President Camacho that no increases be made in existing freight and tax rates.⁴¹

Ambassador Messersmith presented a note to Foreign Minister Padilla in early 1944 which advised Mexico of the United States desire to undertake negotiations leading to a modification of the Bateman-Suárez Agreement. The note, delivered on March 2, 1944, stated that if changes acceptable to both sides could not be formulated, consideration should be given to renouncing the understanding. The following day the Foreign Office replied that the Mexican Government was not in favor of terminating the agreement and would welcome the opportunity to discuss possible modifications.⁴²

With the threat of a renunciation of the Bateman-Suárez Agreement hanging over its head, the Camacho Administration quickly accepted the changes proposed by the United States. Notes modifying the Bateman-Suárez Pact were exchanged on March 27 which provided that the United States Government could, at any time after April 29, 1944, the date on which the agreed one year extension expired, inform the Mexican Government of its intention to revise the price or quantity to be purchased of any of the

⁴¹Memorandum of Conversation, Dr. Alan Bateman and Eduardo Suárez, December 10, 1943, State Department Records, NA, RG59.

⁴²George S. Messersmith to Cordell Hull, March 4, 1944, State Department Records, NA, RG59.

metals controlled by Mexico in accordance with previous understandings, such notification to be effective three months following receipt. Mexico agreed to provide a six month warning before raising existing tax and freight rates. The requirement for a six month notification of intent to terminate the understanding remained in effect.⁴³

In late May the American Embassy informed the Foreign Office that three months thereafter the United States Government would cease all procurement of mercury in Mexico. As was the case with all subsequent purchase reductions, this notification affected only official transactions and had no effect on normal commercial dealings.

It will be recalled that under the terms of the Bateman-Suárez Accord the United States agreed to purchase yearly a maximum of 250,000 tons of lead, 200,000 tons of zinc and 75,000 tons of copper. In December, 1944, the Mexican Government was informed, in accordance with the recent changes to the agreement, of America's intention to limit her obligated annual procurement of lead to 150,000 tons, zinc to 100,000 tons and in the case of copper to 25,000 tons. Ambassador Messersmith stated that in spite of the limits set it was doubtful actual purchases would decline to these levels. In addition Mexico was notified of the United States intention to lower the price paid for Mexican zinc from 8.25 cents to 7.25 cents per pound.⁴⁴

Shortly after the Camacho Administration had been notified of United States procurement reductions, Dr. Bateman met with officials of the Foreign Office to impress on them the desire of his Government to assist

⁴³George S. Messersmith to Cordell Hull, March 29, 1944, State Department Records, NA, RG59.

⁴⁴Ambassador Messersmith to Foreign Minister Padilla, December 3, 1944, State Department Records, NA, RG59.

Mexico in the transition from a wartime to a peacetime economy. Bateman stressed that emergency legislation permitted America to import strategic materials duty free only until the point was reached when they were no longer necessary for the war effort. That level had now been reached in many cases, and the United States had no choice but to cut down on strategic purchases, while at the same time making every attempt to transfer this trade back to normal markets. In response to a Mexican inquiry, he stated that in his opinion a large demand for minerals and metals would not exist in Europe after the war.⁴⁵

Dr. Bateman informed the Foreign Office officials that the United States would store its strategic material surplus for fifteen months after the war rather than harm the economies of the producing countries by putting it on the market at such a critical period. He stated that through private sources he had arranged for the sale of Mexico's entire 1945 mercury output. Finally, Bateman assured the Mexicans that the United States would curtail its procurement of minerals and metals in such a way that Mexico and Canada would be "last and least affected."⁴⁶

However, as the war ended the United States had no alternative other than to limit its imports of critical products. In August, 1945, obligated purchases of zinc were discontinued under the Bateman-Suárez Agreement while the yearly quotas for lead and copper were reduced to 120,000 tons and 10,000 tons respectively.⁴⁷ On October 9, 1945, Foreign Minister Castillo Nájera was informed that mandatory procurement of

⁴⁵Memorandum of Conversation, Dr. Alan Bateman and Manuel Tello, December 9, 1944, State Department Records, NA, RG59.

⁴⁶Ibid.

⁴⁷Secretary of State to George S. Messersmith, August 7, 1945, State Department Records, NA, RG59.

copper by the United States under the purchase agreements would be stopped after three months while the figure for lead was further reduced to 50,000 tons per annum. At the same time official notification was also given of United States intention to terminate the Bateman-Suárez Agreement in six months' time thus ending America's wartime strategic material program with Mexico.⁴⁸

With one exception Mexico faithfully collaborated during the entire war period by supplying enormous quantities of vitally needed strategic minerals to the United States. The only blemish on an otherwise creditable record was Mexico's reluctance to fulfill the provisions of her silver purchase agreement with the United States. In 1936 the two Governments had reached an understanding whereby Mexico would make available to the United States five million ounces each month, making Mexico America's leading supplier of silver. The silver purchase agreement was suspended by the Roosevelt Administration in 1938 in retaliation for Mexican seizure of American oil properties, but was revived again under the terms of the comprehensive accord of November 19, 1941. In the summer of 1942 the United States agreed to increase the price it paid for Mexican silver from slightly more than thirty-five cents to forty-five cents per ounce.⁴⁹ The following spring Finance Minister Suárez stated that all Mexican silver, less the amount needed for internal purposes and coinage for those countries to which commitments had already been made, would be sent to the United States.⁵⁰

⁴⁸ Ambassador Messersmith to Foreign Minister Castillo Nájera, October 9, 1945, State Department Records, NA, RG59.

⁴⁹ U. S., Department of State Bulletin, Vol. 7, No. 165, August 22, 1942, p. 714.

⁵⁰ George S. Messersmith to Cordell Hull, April 1, 1943, State Department Records, NA, RG59.

During the war years Mexico produced about 80 million ounces of silver annually of which a maximum of 20 million ounces would normally be used for coinage. The first warning that silver shipments to the United States would soon be diminishing was supplied by Ambassador Messersmith in July, 1943, when he notified the State Department that the Mexican consumption of silver for other than coinage purposes had increased from 125,000 ounces per month in September 1942, to 416,000 per month in May 1943. Moreover estimates for 1944 indicated the use of silver for coinage would soar to 45 million ounces.⁵¹

The reason for this increased consumption of silver in Mexico, Messersmith explained, was a greater private demand in the United States for silver articles which could be sold at a price affording the silver producers a much larger profit than sales to the American Government. In fact, the profit was so great that thousands of Mexicans had melted their silver coins and sold the liquid to industrial firms causing a shortage of silver money which necessitated a larger coinage allocation. During 1942 American imports of silver articles from Mexico were valued at \$12,000 per month. By July of the following year the monthly figure had risen to \$221,000.⁵²

Ambassador Messersmith met with Suárez in August, 1943, in an effort to convince the Finance Minister that his country should restrict sales of silver to private industry so that large shipments could be sent to the United States for defense purposes. Suárez agreed to raise the export tariff on silver articles sent to America and to limit sales of the

⁵¹George S. Messersmith to Cordell Hull, June 23, 1943, State Department Records, NA, RG59.

⁵²George S. Messersmith to Cordell Hull, August 20, 1943, State Department Records, NA, RG59.

mineral to silversmiths to a quantity mutually acceptable to both countries. Messersmith suggested 450,000 ounces per month, but the figure was never agreed to by the Mexican Government.⁵³

The Bank of Mexico showed little interest in restricting silver sales to private industry so that by March, 1945, monthly transactions of this nature accounted for 1,203,231 ounces. As a consequence Mexican deliveries of silver to the United States under the purchase agreement which had been averaging in the excess of 50 million ounces annually decreased sharply to 19,995,061 ounces in 1944 and to only about 9 million ounces the following year.⁵⁴

Ambassador Messersmith felt that many Mexicans were just not convinced of the need for silver in the United States when the latter had stored vast quantities of the metal underground, and that the Embassy could not justifiably put pressure on Mexico to sell her silver for only forty-five cents per ounce when United States defense industries were charged seventy-one cents per ounce for the stored American silver.⁵⁵ In April, 1945, he reported to the Department that it would be unwise to insist on compliance with the silver purchase understanding even though it remained in effect. In Messersmith's opinion Mexico was "entirely sound and prudent" in developing her silver industry when she realized United States official purchases of silver would soon be declining.⁵⁶ Based on the Ambassador's recommendation, and the fact that the end of

⁵³George S. Messersmith to Cordell Hull, August 20, 1943, State Department Records, NA, RG59.

⁵⁴George S. Messersmith to Secretary of State, April 13, 1945, State Department Records, NA, RG59.

⁵⁵Ibid.

⁵⁶George S. Messersmith to Division of Mexican Affairs (Carrigan), April 21, 1945, State Department Records, NA, RG59.

the war was in sight and importation of strategic materials had already been heavily reduced, no action was taken to insist on Mexican compliance with the silver agreement.

The inconvenience caused by Mexico's failure to maintain throughout the latter years of the war the previous high levels of silver shipments to the United States did not seriously detract from her overall collaboration in supplying vast quantities of strategic materials for America's war machinery. Her assistance in this regard was all the more valuable since maritime transportation, so risky during the war years, was not needed to deliver Mexican goods to American markets. She was the major foreign source of graphite, antimony and mercury, three of the twenty-nine materials considered critical by the Army and Navy Munitions Board.⁵⁷ Next to Cuba and Chile she supplied more material to the United States during the years from 1940 to 1945 than any of the other Latin American countries.⁵⁸

As a testimony to Mexico's cooperation Ambassador Messersmith stated he did not know of a single instance when Mexico attempted to take advantage of the wartime emergency by demanding higher prices than would normally have been expected for her critical materials.⁵⁹ That Mexico agreed to a freeze in freight rates and domestic taxes on mineral production also represented a significant contribution to the war effort.

Table 7-2 illustrates, not only in quantity, but also in degree of increase over previous production, the magnitude of Mexico's contribution

⁵⁷ The New York Times, April 9, 1942.

⁵⁸ J. Lloyd Mechem, The United States and Inter-American Security, 1889-1960 (Austin: University of Texas Press, 1961), p. 243.

⁵⁹ Unpublished Memoirs of George S. Messersmith, Vol. 2, No. 11, University of Delaware.

to the war effort in the form of strategic exports, and also the decreases in many cases in United States procurement as the war ended.

TABLE 7-2

MEXICAN EXPORTS OF SELECTED STRATEGIC MATERIALS TO THE UNITED STATES⁶⁰
(All Units in Tons)

<u>ITEM</u>	<u>'37-'38</u> <u>AV.</u>	<u>'41</u>	<u>'42</u>	<u>'43</u>	<u>'44</u>	<u>'45</u>	<u>'46</u>
Antimony	6,674	24,341	31,536	27,130	28,379	21,714	17,133
Arsenic	9,186	10,376	19,038	16,037	12,765	15,096	10,011
Bismuth	*	84	171	183	184	249	175
Cadmium	679	*	*	1,034	1,251	1,580	1,157
Copper	44,122	64,961	68,349	58,294	55,927	79,205	67,414
Graphite	10,246	16,928	20,812	20,084	15,393	23,379	22,260
Manganese	117	2,124	25,948	43,610	78,323	39,998	23,343
Mercury	108	177	1,086	1,393	676	493	284
Molybdenum	874	662	1,140	1,757	1,403	1,364	626
Lead	75,069	128,953	172,327	217,467	169,405	186,641	110,395
Zinc	27,920	249,761	303,977	338,277	355,641	360,027	273,213
Henequen	66,131	76,340	69,609	82,071	83,937	50,394	53,111
Rubber	2,996	5,313	6,705	8,975	7,951	12,075	5,839

*not available

The conditions under which the Mexican workers labored to produce such large quantities of critical minerals were in many instances quite dangerous. As one author convincingly writes:

⁶⁰Foreign Commerce of Mexico 1941-1948 (Washington: Pan American Union, 1950), pp. 25-32 and Foreign Commerce Yearbook 1948 (Washington: U. S. Government Printing Office, 1950), pp. 369-370.

The workers in the Latin American production programs did yeoman service in the war effort. Most strategic materials were produced under conditions that take the starch out of the strongest men....Disease and accidents have always taken a high toll in these industries but under pressure for increased output the toll increased. The workers who died to produce more tin, copper, or rubber were no less heroic--or deserving--than the soldiers who manned the tanks and planes that blasted the Axis.⁶¹

There can be little doubt that Mexico's collaboration during the war years through her expanded strategic materials program was both significant and generous. The minerals she sent to the United States helped that country's industries produce record amounts of military equipment during this critical period. In speaking of Mexico's contribution to the war effort Ambassador Messersmith remarked "...if it were confined only to this furnishing of raw material it would be more important than that of any of the other American Republics."⁶²

⁶¹Laurence Duggan, The Americas: The Search for Hemispheric Security (New York: Henry Holt and Company, 1949), p. 93.

⁶²George S. Messersmith to Vice Admiral Johnson, December 27, 1942, Messersmith Papers, Box 3, Correspondence Folder C, University of Delaware.

CHAPTER VIII

CORN AND WHEAT FOR MEXICO

During World War II the average American probably believed that the Latin American countries derived a great many benefits, while experiencing relatively few inconveniences, from the United States strategic materials procurement program. The alleged windfall presented the producing nations with additional government revenues, increased production profits, and provided higher wages for their workers. This picture, however, is incomplete unless some of the resultant disadvantages are considered. The great effort to increase production caused extensive dislocation in the economies of many South American Republics as workers rushed from the farms to the mines where monetary returns were greater, and land normally planted to corn or other staples was used to raise the oil bearing seeds urgently needed by the United States for the war effort. Critical food shortages resulted, and riots occurred in several areas where inflation and higher costs of living more than absorbed salary increases, thus preventing people from purchasing even the basic foodstuffs necessary to sustain themselves.

In this regard Mexico was one of the Latin American countries most seriously affected. For centuries corn and wheat had been two of the basic elements in the Mexican diet. Over the years Mexico had been practically self-sufficient with respect to corn, importing from the United States only seven tons of that commodity in 1941. About 25 percent of the wheat consumed in Mexico was usually imported, mainly from the United States where slightly more than 120,000 tons were purchased in 1942. Very little wheat flour was normally bought by Mexico. In 1941

the United States sent only ninety-five tons to its southern neighbor.¹ In the spring of 1942 the Mexican food situation was better than at any time during the previous two years and ample supplies of most staples were readily available.² This situation changed drastically as the effects of the economic disturbances already mentioned were combined with a meager 1943 agricultural yield caused by a severe drought early in the year and torrential rains just before the harvest. In 1944 many Mexicans died from malnutrition despite huge increases in food imports from the United States which in the case of corn and wheat flour rose more than 200 times and 5 times respectively above 1941 levels.³ So widespread was the domestic unrest caused by the food shortage that the stability of the country and the Camacho Administration was threatened.

The first indication that the expanded strategic production programs in Mexico were causing a decrease in agricultural output was provided by the Mexican Embassy in Washington. In a note of October 15, 1942, the Embassy advised the State Department that Mexico was experiencing a shortage of between 150,000 and 200,000 tons of wheat which it would be required to import prior to June of the following year. The note requested the United States to send part of its wheat surplus to Mexico and to adopt once again the recently suspended wheat export subsidy program so that the price charged Mexico for the American wheat would be about one dollar per bushel. If Mexico were unable to import wheat from

¹Foreign Commerce of Mexico 1941-1948 (Washington: Pan American Union, 1950).

²Memorandum by Division of American Republics, May 25, 1942, Department of State Records, National Archives, Record Group 59. Hereafter referred to as State Department Records, NA, RG59.

³Foreign Commerce of Mexico 1941-1948 (Washington: Pan American Union, 1950).

the United States, the Embassy explained, a large amount of land and labor would have to be diverted from strategic material production to wheat raising.⁴

The Mexican request was forwarded to the Agricultural Department where Secretary of Agriculture Wickard decided, on the basis of Mexico's need and her cooperation in the war effort of the United Nations, to export as much wheat as possible to Mexico and to institute a program effective December 2, 1942, calling for a \$0.20 per bushel subsidy on wheat shipped to Mexico.⁵ The amount actually paid for the wheat would depend on the market price in the United States at the time of purchase. The subsidy, later raised to \$0.30 per bushel, remained in effect until December 31, 1943, and applied ultimately not only for deliveries to Mexico, but also to Cuba, Colombia, Ecuador, Venezuela and all Central American areas with the exception of the Canal Zone.⁶

During 1943 and 1944 the United States also experienced low grain yields, and the limited supply pushed the price of rye, wheat, and corn to record levels. The cost of wheat on the American market rose to \$1.50 per bushel making United States wheat purchased by the Mexicans, even with the subsidy, more expensive than Canadian wheat which was available for \$1.00 a bushel. Mexico purchased about 72,000 tons of wheat from Canada in early 1943 which it planned to move through the United States by rail; however, the War Production Board and the Office of Defense Transportation were not able to divert freight cars from

⁴Mexican Embassy to Secretary of State Hull, October 15, 1942, State Department Records, NA, RG59.

⁵Foreign Relations of the United States, 1943, Secretary of State to Ambassador Castillo Nájera, January 25, 1943, Vol. 6, p. 429.

⁶Department of Agriculture Press Release, May 5, 1943, State Department Records, NA, RG59.

defense associated transportation to the shipment of wheat from Canada to Mexico. The Office of Defense Information estimated 1,900 cars, already in critical supply in the United States, would be needed to carry the entire wheat cargo to Mexico.⁷ Ambassador Messersmith strongly recommended that the necessary rail equipment be made available to transport Canadian wheat, since without the urgently needed grain, bread prices in Mexico would rise even higher, causing unrest among peasants and city dwellers which could impede Mexican collaboration with the United States.⁸ The War Production Board maintained that neither rail nor sea transportation was available, but promised to make every effort to supply Mexico with wheat from Texas and Oklahoma. Mexico had no other choice than to purchase at a higher price whatever wheat America could make available and store the Canadian wheat at great expense either in Canada or the northern United States.

Until the summer of 1943 the only food products in short supply in Mexico were wheat and to a much lesser degree lard. With regard to most staples the 1942 harvest had been the best in ten years, and so optimistic was the outlook for 1943 that the American Embassy in Mexico City on April 22, 1943, reported: "Mexico can take care of her food requirements with the exception of wheat and lard."⁹ By July the situation had changed, and the loss of thousands of Mexican farm laborers to mineral production, coupled with the particularly adverse weather conditions, began to be reflected in the diminished corn crop.

⁷Foreign Relations of the United States, 1943, Secretary of State to Ambassador Castillo Nájera, January 25, 1943, Vol. 6, p. 430.

⁸George S. Messersmith to Division of American Republics (Bonsal), May 18, 1943, State Department Records, NA, RG59.

⁹Memorandum, Division of Mexican Affairs to Office of American Republics Affairs (Duggan), May 9, 1944, State Department Records, NA, RG59.

Mexico which had imported less than 200 tons of American corn in 1942 asked the State Department on July 22, 1943, if the United States could lend her between 15,000 and 20,000 tons of corn which would be repaid within one year. Both the Department of Agriculture and the Commodity Credit Corporation, an agency of the Federal Government, replied that they did not have in their possession a single kernel of corn to sell or lend, and they were unable to purchase any corn whatever on the open market. The United States was also experiencing a corn shortage, and all available corn was either being used for human consumption or animal feed, primarily the latter. The Department of Agriculture reported it had doubts that Mexico could purchase corn anywhere in the United States, but promised if any corn were to appear on the market every effort would be made to acquire some for Mexican usage.¹⁰

In the first eight months of 1943, Mexico had contracted with three private American firms for the purchase of 100,000 tons of wheat, half of which had been delivered by the end of August. The remainder was being stored in the United States and moved in small amounts to Mexico since adequate rail transportation was not available to accommodate large shipments. The Mexican Government requested that additional freight cars be employed during September, October and November to transport not only wheat purchased in the United States but also the wheat obtained in Canada which by that time amounted to about 245,000 tons.¹¹ The American Government could not comply with the Mexican request since it was considered imprudent to divert rail facilities from defense transportation

¹⁰ Foreign Relations of the United States, 1943, Secretary of State to George S. Messersmith, July 26, 1943, Vol. 6, p. 432.

¹¹ Ambassador Messersmith to Secretary of State, August 30, 1943, State Department Records, NA, RG59.

and there was little support either in the Office of Defense Transportation or the Interstate Commerce Commission to suspend the ICC order of January 12, 1943, which prohibited grain shipments by rail through the United States.¹² As an alternative to shipping wheat from Canada to Mexico, the Mexican Embassy in Washington suggested the Mexican-owned Canadian wheat, some of which was already in storage in the Great Lakes area of the United States, be traded for American raised wheat. This would actually decrease transportation requirements, the Mexicans argued, since wheat would not have to be sent from Texas, Oklahoma and Kansas to the northern United States. The Agricultural Department favored this idea, but it was not until early 1944 that a viable wheat exchange program was adopted.

By early September, 1943, Ambassador Messersmith reported that Mexico was experiencing a 65,000 ton corn deficit which he attributed to increased emphasis on production of oil bearing seeds needed for the war effort and not producible in the United States, and a generally poor agricultural year. Messersmith stressed that Mexico was pleased to collaborate so closely with the United States in the war against the Axis and did not wish to abruptly cease production of oil bearing seeds, but President Camacho had to see that his people were fed, and he would have no other choice if America could not make available to Mexico more wheat and corn. Messersmith warned that the situation was desperate, and that if the people were not adequately fed, political unrest would result. The Ambassador also pointed out that Cuba would have a corn surplus of about 5,000 tons during the current year, and he recommended this surplus

¹²Secretary of Agriculture to Secretary of State, September 29, 1943, State Department Records, NA, RG59.

be sent to Mexico.¹³ Messersmith's estimate proved high, but Commodity Credit Corporation ultimately purchased about 1,400 tons of Cuban corn during the remainder of 1943 for shipment to Mexico.

President Camacho took drastic measures in September, not only to control the supply of corn in Mexico, but also to stimulate increased production in succeeding years. Wide press coverage was given throughout the country to two presidential decrees issued on September 21 and 22. The first order, in an effort to facilitate movement of corn throughout the country, placed all corn grown in Mexico or imported from abroad under the exclusive control of Nacional Distribuidora y Reguladora, S. A., a governmental agency.¹⁴ The second decree made available large amounts of new land for the raising of corn, and provided that the Federal Government would confiscate any crops other than corn grown on the designated land.¹⁵

On the day following the second decree, Ambassador Messersmith notified the State Department it had come to his attention that the light and power companies in Argentina were burning corn, since they were unable to get coal from Britain and the United States, due to the pro-Axis position the Argentine Government had adopted during the war. Messersmith stated that he was aware of the valid reasons which prompted the United States to suspend coal shipments to Argentina, but he felt Mexican people could not be allowed to starve while another Latin American country had such a large surplus of the principal staple item in the Mexican diet. He recommended consideration be given to the resumption

¹³George S. Messersmith to Cordell Hull, September 4, 1943, State Department Records, NA, RG59.

¹⁴Novedades, September 21, 1943.

¹⁵Novedades, September 22, 1943.

of coal deliveries to the Argentine in exchange for corn not only for human consumption in Mexico, but also for animal feed in the United States.¹⁶

On the same day that he recommended corn be acquired in Argentina, Ambassador Messersmith sent a personal letter to President Roosevelt in which he explained in detail the seriousness of the corn scarcity in Mexico. He charged that corn was unavailable on the American market, not because of a shortage, but because farmers were dissatisfied with the corn price ceilings set by the Federal Government. Messersmith said that the Camacho Administration needed corn to insure internal stability and was willing to pay whatever price was necessary to get the corn which it would distribute to the people at a price they could afford. "You may be sure," the Ambassador wrote, "that I would not bring this matter to your attention if it were not a matter of primary importance and I have the deep conviction that it is just as important in some ways for us as it is for the Mexicans that the economic and political order now so happily prevailing in Mexico should be maintained. You know what can happen when people get hungry, and you know that such things can happen more easily in Mexico than in some other places."¹⁷ Finally, Messersmith notified the President that Ambassador-at-large Francisco del Río Canedo was being sent by President Camacho to the United States to discuss with American officials the seriousness of the food problem confronting Mexico and to attempt to purchase whatever corn or wheat might become available on the open market.

¹⁶George S. Messersmith to Division of American Republics (Bonsal), September 23, 1943, State Department Records, NA, RG59.

¹⁷Foreign Relations of the United States, 1943, George S. Messersmith to Franklin D. Roosevelt, September 23, 1943, Vol. 6, pp. 433-435.

In his reply to Messersmith, President Roosevelt cautioned the Ambassador that he should not minimize the actual corn shortage existing in the United States which was not caused simply by dissatisfaction with federally set price ceilings. Roosevelt stated that while it was true that corn was not flowing freely to domestic markets due to the "existing hog-corn price ratio," it was also true that the supply of corn in the United States was insufficient to meet the demand.¹⁸ The price of corn on the American market had risen to its highest level in over five and one-half years. Notwithstanding the shortage in the United States, President Roosevelt directed the War Production Board on October 1, 1943, to send 1,500 tons of corn to Mexico. He told the Board's Chairman, Donald M. Nelson, that arrangements were being made which would permit the importation of foodstuffs from the Argentine to be used for animal feed and for replenishing WPB stockpiles.¹⁹

Such a small shipment as the one President Roosevelt directed the WPB to send really had little effect in alleviating the widespread hunger in Mexico. In early October Ambassador Messersmith reported that Mexico would be required to import large quantities of corn until at least mid-1944. He said that despite reports to the contrary corn was not being hoarded in Mexico pending the lifting of price ceilings by the Mexican Government. The corn situation was particularly critical in the States of Coahuila, Nuevo León, Aguascalientes, San Luis Potosí, Distrito Federal, Hidalgo and Yucatán, and Messersmith stated that in some areas workers had refused to load corn for shipment outside their district since

¹⁸Foreign Relations of the United States, 1943, Franklin D. Roosevelt to George S. Messersmith, September 29, 1943, Vol. 6, p. 436.

¹⁹Memorandum, President Roosevelt to Chairman War Production Board (Nelson), October 1, 1943, State Department Records, NA, RG59.

the supply on which they were dependent was already quite low.²⁰

Ambassador del Río Canedo arrived in the United States in early October for discussions with American officials relative to his country's serious food shortage. By the middle of the month an arrangement had been worked out whereby Commodity Credit Corporation, under pressure from President Roosevelt, agreed to make available to Mexico 5,000 tons of corn in exchange for a promise from Ambassador del Río that Mexico would deliver to the United States a shipment of vegetable meal and oil seed cake which would be used as livestock feed. It was agreed the Mexican shipment and the American corn would be of equal value, and that similar trades in the future would be on a strict dollar-for-dollar basis. Commodity Credit was particularly anxious to receive a substitute animal feed for the corn, since without this exchange, dairy and poultry farmers throughout the United States would have sharply criticized the Government for exporting scarce feed with no provision for resupply.²¹

Ambassador Messersmith was disappointed that only 5,000 tons of corn had been released for Mexico, and in a letter to Secretary of State Hull, he strongly recommended that more corn be made available. He reminded Hull that corn was urgently needed in Mexico to avert human starvation while in the United States it was primarily used for animal feed. Messersmith emphasized that within a few months Mexico would have large quantities of oil seed meal and cake for delivery to American farmers, but the urgency in Mexico was an immediate one and the United States could not make corn shipments contingent on parallel meal cake

²⁰George S. Messersmith to Division of American Republics, October 4, 1943, State Department Records, NA, RG59.

²¹Foreign Relations of the United States, 1943, Cordell Hull to George S. Messersmith, October 15, 1943, Vol. 6, p. 437.

receipts.²²

Marvin Jones, the War Food Administrator, notified President Roosevelt on October 23, 1943, that through official channels the United States had released 6,500 tons of corn to Mexico (1,500 tons on October 1, 1943, and 5,000 tons on October 15, 1943). Due to the urgent need for corn in this country for war essential processing plants, and for animal feed and human consumption, Jones recommended that no further corn be sent to Mexico. He said the shortage of dairy and poultry feed in the eastern states would become more acute when the Great Lakes froze over, making barley and wheat deliveries from Canada very difficult. If it should be decided, Jones concluded, that additional shipments of corn are to be sent to Mexico they should be kept as small as possible and always with the understanding that Mexico would make equal valued deliveries of meal and cake to the United States.²³

Acting Secretary of State Edward Stettinius also notified President Roosevelt of the release of 6,500 tons of corn for Mexico. He said Mexico probably needed about four times that figure during its present emergency, although Mexican estimates were much higher. Stettinius stated that it might be necessary for the State Department to ask the President "to send the Food Administration a directive indicating the urgency and importance of assisting our Mexican friends in this emergency."²⁴

In addition to its attempts to import corn from the United States, the Mexican Government was very active in its efforts to increase corn

²²George S. Messersmith to Cordell Hull, October 20, 1943, State Department Records, NA, RG59.

²³War Food Administration (Jones) to President Roosevelt, October 23, 1943, Official File 146-Box 2, Roosevelt Library.

²⁴Memorandum, Acting Secretary of State Stettinius to President Roosevelt, October 25, 1943, Official File 146-Box 2, Roosevelt Library.

production domestically. The Camacho Administration made future agricultural credits dependent on the willingness of landowners to utilize a certain percentage of their acreage for corn planting. In addition, 50 percent of the land originally cleared for cultivation of oil bearing seeds was diverted to corn raising as was all available agricultural machinery.²⁵

The State Department requested Ambassador Messersmith in late October, 1943, to inform the Mexican Government that future deliveries of corn to Mexico, whether from Commodity Credit Corporation or from private sources would depend upon the willingness of American governmental licensing agencies to permit the corn to leave the country. In either case, the Department continued, such shipments of corn will depend upon Mexico's willingness to send substitute feed of equal value to the United States. Up to that time Dr. del Río had been unable to supply American officials with exact data on the availability of vegetable meal and oil seed cakes, and until such information was forthcoming, the Department warned, no further Government-owned or controlled corn could be released for Mexico.²⁶

The information on substitute feed desired by United States officials was quickly made available by the Mexican Government. Further negotiations between Ambassador del Río and Commodity Credit produced an agreement whereby the strict dollar-for-dollar basis of exchange was abolished, and by the beginning of November limited amounts of corn purchased by del Rio from private sources began to flow to Mexico in

²⁵ Memorandum, Acting Secretary of State Stettinius to President Roosevelt, October 25, 1943, Official File 146-Box 2, Roosevelt Library.

²⁶ Foreign Relations of the United States, 1943, Acting Secretary of State Stettinius to George S. Messersmith, October 26, 1943, Vol. 6, p. 438.

exchange for approximately equal amounts of vegetable oil meals.²⁷

In late November, Under Secretary Torres Bodet, informed Ambassador Messersmith that Mexico would be dependent on corn from the United States until at least June, 1944, when it was expected that steps to increase Mexico's corn output would become fully productive. He said that by the end of the year his country would have purchased between 28,000-30,000 tons of corn in the United States which when mixed with considerable amounts of wheat would allow Mexico to meet her current food shortage despite earlier estimates that 60,000 tons of corn would be needed.²⁸ Of the just under 30,000 tons of corn finally purchased by Mexico from the United States in 1943, Commodity Credit Corporation made available 6,500 tons of domestic corn and 1,400 tons of Cuban corn while the remainder resulted primarily from private transactions negotiated by Ambassador del Río.²⁹

In mid-October, 1943, the price of wheat on the open market had reached its highest level in fifteen years, and one leading United States newspaper reported that for the first time in American history the demand for wheat for feed and industrial purposes was of such magnitude to be a major price-making influence.³⁰

By that time Mexico had acquired in the United States and Canada both from future purchases and spot deliveries about 377,000 tons of the

²⁷Foreign Relations of the United States, 1943, Acting Secretary of State Stettinius to George S. Messersmith, October 26, 1943, Vol. 6, p. 438.

²⁸George S. Messersmith to Division of American Republics (Bonsal), November 28, 1943, State Department Records, NA, RG59.

²⁹War and Food Administration (Jones) to President Roosevelt, December 2, 1943, State Department Records, NA, RG59.

³⁰The New York Times, October 18, 1943.

400,000 tons of wheat which she calculated would be needed for domestic consumption until May of the following year. The requirement for wheat was so great because large quantities of it were being mixed with corn in an effort to make the limited amounts of corn last as long as possible. Despite the fact that Mexico had arranged to acquire almost all the wheat she would need, it was not really at her disposal since about 70 percent of it was in storage either in Canada or the United States and could not be delivered to Mexico because of transportation limitations. On October 15, 1943, the Mexican Embassy requested the State Department to investigate the feasibility of shipping the Mexican-owned Canadian wheat to storage facilities in such northern United States cities as Deluth, Chicago and Buffalo before the Great Lakes froze over making transportation more difficult. The Mexicans also renewed a former request that where possible the Canadian wheat be delivered via rail to the United States-Mexican border.³¹

Secretary Hull forwarded the Mexican petition to the Department of Agriculture, asking the latter to utilize whatever transportation was available to move the Mexican wheat. The Agriculture Department replied that it would arrange for several ships to transport the wheat from Canada to the United States until the winter weather made shipping on the Great Lakes impossible, and recommended that the State Department undertake to trade the Mexican wheat brought from Canada for American-owned wheat from a source outside the United States. Secretary Wickard assured Hull that limited amounts of Texas wheat would be released to

³¹ Memorandum, Mexican Embassy to Secretary of State, October 15, 1943, State Department Records, NA, RG59.

Mexico until arrangements could be made for wheat from another source.³²

An agreement was made in early 1944 between Ambassador del Río and Leon Falk of Commodity Credit under which the United States would exchange 54,000 tons of wheat purchased in Australia for a similar amount of Mexican-owned Canadian wheat. The understanding simply provided that Mexico would release a given amount of its wheat in storage in Chicago or Buffalo when an American ship loaded with an equal amount of wheat left Australia enroute to Mexico. The arrangement was advantageous to both countries, since in addition to getting badly needed grain, Mexico would reduce her storage expenses, and the United States would acquire wheat without transportation delays and near the northern areas, particularly New England, where it was in short supply.³³

United States officials made arrangements for six ships to carry the American-owned wheat from Australia to Manzanillo, Mexico. By the beginning of April, 1944, four vessels had made the trip, carrying a total of 35,240 tons of grain to Mexico, thus releasing an equal amount of Mexican-owned wheat for use in the United States. The remaining two ships suddenly became unavailable due to higher priority transportation requirements. Ambassador Messersmith recommended to the State Department that every effort be made to reschedule these two wheat shipments at the first possible moment. On May 11 Assistant Secretary of State Dean Acheson in a letter to Foreign Economic Administrator Crowley stated that in his opinion the United States Government had a moral obligation to transport the remaining 18,760 tons of wheat to Mexico. Three weeks

³²Memorandum by Division of American Republics, October 20, 1943, State Department Records, NA, RG59.

³³Memorandum of Conversation by Division of American Republic Affairs (Carrigan), January 15, 1944, State Department Records, NA, RG59.

later Crowley reluctantly agreed to do so, but he pointed out that recent increases in the price of Australian wheat would cause the United States to spend \$118,000 more than it had anticipated. He recommended, that should arrangements of this nature be made in the future, adequate safeguards be adopted to prevent similar losses.³⁴ The remainder of the Australian wheat was finally delivered to Mexico in September, 1944.

In 1944, the Mexican Government released the figures listed in Table 8-1 relative to the production and importation of wheat in Mexico. As has been previously mentioned the amount of wheat consumed during the later period of the war was greater than in previous years since it was generously mixed with corn in an attempt to make the limited supply of the latter grain last longer.

TABLE 8-1

MEXICAN DOMESTIC PRODUCTION AND IMPORTATION OF WHEAT³⁵
1940-1945
(All Figures in Tons)

<u>HARVEST</u>	<u>NATIONAL PRODUCTION</u>	<u>IMPORTED</u>	<u>TOTAL</u>
1940-41	440,004	31,443	471,447
1941-42	393,033	152,585	545,618
1942-43	471,220	123,176	594,396
1943-44	336,292	363,708	700,000
1944-45 (estimate)	300,000	450,000	750,000

The United States Combined Food Board had originally allocated to Mexico a total of about 171,000 tons of American wheat for 1944 from both

³⁴Foreign Economic Administration (Crowley) to Assistant Secretary of State Acheson, June 2, 1944, State Department Records, NA, RG59.

³⁵Memorandum by Nacional Distribuidora Y Reguladora, S. A., April 21, 1944, State Department Records, NA, RG59.

governmental and private sources. By the middle of June of that year 143,000 tons had already been delivered, and the serious food shortage still persisted. The Board decided that if starvation was to be averted in Mexico it had no other choice than to increase the 1944 Mexican allocation to 314,000 tons.³⁶ Final figures on Mexican imports show that even this total was surpassed. To supplement the diet of its people the Mexican Government imported from the United States in 1944 almost 55,000 tons of wheat flour, a commodity which most Mexicans in normal times considered undesirable.³⁷

The scarcity of corn in Mexico during 1944 presented a far more serious problem to the Mexican Government than the wheat shortage, not only because corn was more difficult to acquire abroad, but because it was the principal staple in the diet of millions of Mexicans. In 1942 Mexico produced 2,356,236 tons of corn, her best crop in over ten years, while in 1943, the worst year for Mexican agriculture since the turn of the century, production fell to 1,375,200 tons. In an average year the entire domestic corn consumption was 2,270,000 tons; however, Mexican authorities calculated that starvation and widespread unrest could be averted in 1944 if a total of 1,670,000 tons could be made available. This meant that 294,800 tons had to be acquired to raise the 1943 production to the minimum 1944 consumption level.³⁸ Not all of the additional amount had to be imported since some corn from the 1944 crop would be harvested in the fall. The real crisis then would exist only until September or

³⁶ State Department to American Embassy in Mexico, June 23, 1944, State Department Records, NA, RG59.

³⁷ Foreign Commerce of Mexico 1941-1948 (Washington: Pan American Union, 1950).

³⁸ Memorandum by Nacional Distribuidora y Reguladora, S. A., April 21, 1944, State Department Records, NA, RG59.

October unless prolonged by unfavorable farming conditions as had been experienced the previous year.

Ambassador del Río remained in the United States during the early months of 1944 to impress on governmental and private officials the desperate situation of his people. He commissioned W. C. Fox and Company, a New Orleans grain brokerage, to purchase up to 170,000 tons of American corn for Mexico. Fox reported he was able to acquire about 30,000 tons in January alone, and he saw no problem in delivering even larger amounts of corn to Mexico provided shipping facilities could be obtained.³⁹ The availability of corn was severely restricted shortly thereafter by a directive from the War Food Administration which stated that 700,000 tons of corn were needed for industrial use and ordered that all corn from 125 specified counties in the corn belt not used for consumption be sold to the Federal Government.⁴⁰

In April, 1944, Argentina communicated to the Mexican Government its interest in sending corn and wheat to Mexico in exchange for oil and pig iron. Foreign Minister Padilla, in notifying Ambassador Messersmith of the Argentine proposition, assured Messersmith that Mexico had no intention of sending oil to Argentina, but he was not willing to give the same pledge with regard to pig iron. President Camacho was reluctant to trade any strategic material with Argentina; therefore, the latter finally decided to simply sell the grain to Mexico. The Mexican Government requested from the Manufacturers' Trust Company of New York a loan of \$7 million for purchasing Argentine grain which was provided after

³⁹Memorandum by Division of Mexican Affairs, February 3, 1944, State Department Records, NA, RG59.

⁴⁰State Department Memorandum for Under Secretary Stettinius, May 24, 1944, State Department Records, NA, RG59.

Manufacturers' Trust had received word from the State Department that the American Government had no objection to such a transaction.⁴¹

The corn shortage was particularly acute in the state of Yucatán where 5,000 tons were urgently needed each month from May through November. Yucatán was anxious to receive corn through the port of New Orleans, and Ambassador Messersmith urged the State Department to intervene on Mexico's behalf by requesting appropriate governmental agencies to issue export permits for corn already acquired in the United States. He advised Hull that Mexico had obtained, with funds borrowed in the United States, 100,000 tons of Argentine corn, and he requested the Secretary's assistance in arranging transportation for the grain from Argentina to Mexico.⁴² State Department officials were opposed to moving the grain in Argentine bottoms since they felt that if Argentine ships entered Mexican ports they would, without the knowledge of the Mexican Government, return to their country loaded with zinc, arsenic, pig iron and other strategic materials.⁴³

Ambassador Castillo Nájera called on Under Secretary of State Stettinius in late May, 1944, to impress on him the seriousness of the corn shortage in Mexico. He informed Stettinius that food riots were occurring, and that certain totalitarian groups were calling for the immediate return of all Mexican laborers in the United States if more American corn were not made available. Castillo Nájera complained that

⁴¹Memorandum of Telephone Conversation between State Department (Bonsal) and Manufacturers' Trust Company (Johnson), April 3, 1944, State Department Records, NA, RG59.

⁴²George S. Messersmith to Cordell Hull, May 6, 1944, State Department Records, NA, RG59.

⁴³Memorandum by Division of Mexican Affairs (Carrigan), April 15, 1944, NA, RG59.

the War Food Administration was exerting an absolute control over the corn market by compelling producers to sell their corn to certain Commodity Credit Corporation-approved industrial firms which were using the corn to manufacture starch and glucose. The Mexican Ambassador reiterated the seriousness of the situation in his country where corn was urgently needed for human consumption, and he requested that firms representing Mexico, such as W. C. Fox and Company, be added to the Commodity Credit List, and that the War Food Administration supply corn directly to Nacional Reguladora y Distribuidora.⁴⁴

State Department officials informed Stettinius that the War Food Administration had severely restricted the corn supply at the insistence of the Army and the War Production Board. In the opinion of these officials only a request from the highest authority would induce the War Food Administration to release corn for shipment to Mexico. Representations were made to the WFA which agreed to make available for immediate delivery to Yucatán 4,000 tons of corn from the 125 county "controlled area."⁴⁵

Two days after his meeting with Castillo Nájera, Under Secretary Stettinius informed the Ambassador of the 4,000 tons of corn being sent to Yucatán. He also advised the Mexican diplomat that arrangements had been made to transport 12,000 tons of corn in early July from Argentina to Mexico in United States vessels. Later in July four additional American ships would carry about 30,000 tons of Argentine corn to Mexico. Shipping requirements beyond July were very indefinite, Stettinius

⁴⁴Memorandum of Conversation, E. R. Stettinius and Francisco Castillo Nájera, May 23, 1944, State Department Records, NA, RG59.

⁴⁵State Department Memorandum for Under Secretary Stettinius, May 24, 1944, State Department Records, NA, RG59.

continued, but the State Department hoped that 125,000 tons of corn could be carried from Argentina before the October harvest in Mexico.⁴⁶

Ambassador Messersmith received a report in late May, 1944, from Yucatán Governor Ernesto Novelo Torres stating that henequen workers were abandoning their plantations and migrating to the cities in search of food. Messersmith reminded the State Department that Yucatán was America's primary if not sole supplier of henequen which was used in making rope and binder twine, and that the Defense Supply Corporation had entered into a contract with Yucatán's henequen producers for the purchase of their entire exportable output. The Ambassador warned that henequen production had recently fallen due to the worker migration, and he predicted further severe production losses, which would seriously affect the war effort, if the labor exodus was not halted by supplying more corn for Yucatán.⁴⁷ Throughout the spring and summer of 1944 the United States made three or four small corn shipments to Yucatán of about 4,000 tons each in order to relieve the food situation there and encourage henequen workers to remain on the plantations.

In early June Agricultural Minister Gomez informed Ambassador Messersmith that his country's 1944 corn crop would be larger than originally anticipated if rainfall was well distributed throughout the remainder of the growing season, and it was his considered opinion that Mexico could provide for her own corn needs after mid-November. However, Gomez stated that an agricultural labor shortage had developed, making it

⁴⁶Acting Secretary of State Stettinius to Ambassador Castillo Nájera, May 25, 1944, State Department Records, NA, RG59.

⁴⁷George S. Messersmith to Cordell Hull, May 30, 1944, State Department Records, NA, RG59.

necessary to employ Mexican army units to harvest the corn.⁴⁸ This, of course, gave further ammunition to those opposed to President Camacho's policy of sending laborers to the United States.

Throughout 1944 both President Roosevelt and Secretary of State Hull kept themselves well informed on the food shortage experienced in Mexico. In July, Hull provided the President with an overall summary of the Mexican food situation as it then existed. According to the Secretary, scarcities of corn, wheat, lard and sugar had constituted the principal deficits. He reported that with respect to wheat the United States would make available at least 315,000 tons during the current year. In addition more than 54,000 tons would come from Australia, with a supplemental shipment from that country of about 25,000 tons available if needed. Mexico had bought some wheat in Argentina, but it was doubtful that ships could be arranged to transport it to Mexico. The Secretary considered that the wheat shortage no longer presented a major problem to President Camacho's Government.⁴⁹

Hull reported that the United States alone had met Mexico's lard deficit by delivering in the first half of 1944 almost as much lard as Mexico indicated she would need for the entire year, and more was still available in this country if needed. As for sugar, Mexico had stated she would have to import 70,000 tons during the current year. The Secretary of State informed Roosevelt that Cuba and Peru had supplied a total of about 30,000 tons already, and it was generally felt that the United States and the two countries mentioned above would be in a position

⁴⁸George S. Messersmith to Cordell Hull, June 12, 1944, State Department Records, NA, RG59.

⁴⁹Cordell Hull to Franklin D. Roosevelt, July 3, 1944, Secretary's File-Mexico 1943-44, Roosevelt Library.

to make additional shipments of sugar to Mexico when the size of their 1944 harvests became known.⁵⁰

By the summer of 1944 corn was the only staple whose scarcity still confronted the Mexican Government with a serious problem. The United States was making small shipments of corn to Mexico, particularly to the state of Yucatán, and Mexico had made additional purchases of corn in Argentina, raising her total amount in storage in that country to about 168,000 tons. Hull notified Roosevelt that arrangements had been made to ship about 130,000 tons of corn from Argentina to Mexico in United States bottoms, and he stated his belief that more American corn would be delivered to Mexico.⁵¹

The program for transporting Argentine corn to Mexico originally made provision for fourteen shipments in United States vessels to provide corn during the critical period from early July to the beginning of November when Mexico's crop would begin to be harvested. Two ships made deliveries in July while three more were planned for August. Due to more pressing requirements the three ships scheduled for August were set back until September, and a Government order prohibiting United States flagships from touching Argentine ports after October 1, 1944, prevented further corn shipments from Argentina in American vessels after that date.⁵² Further shipping complications necessitated the cancellation of the vessels scheduled for September, so that only two United States ships actually made the trip from Argentina to Mexico

⁵⁰Cordell Hull to Franklin D. Roosevelt, July 3, 1944, Secretary's File-Mexico 1943-44, Roosevelt Library.

⁵¹Ibid.

⁵²George S. Messersmith to Secretary of State, September 7, 1944, State Department Records, NA, RG59.

delivering a total of only 13,832 tons of corn.

Quite unexpectedly, Finance Minister Suárez notified the American Embassy on September 22, 1944, that due to a much larger 1944 crop than had been anticipated, which caused speculators to release corn they had been hoarding, Mexico did not desire to import any more corn, and he requested assistance from the United States in disposing of about 145,300 tons of corn still stored in Argentina. Suárez suggested that either the United States purchase the Argentine corn from Mexico or transport it, before spoilage occurred, to Mexico where it would be used first, with the new crop being stored. The Finance Minister was told that the American corn crop was also plentiful, and therefore, the United States was not interested in buying the Argentine corn.⁵³ Moreover, the American ban against its ships calling in Argentine ports precluded the United States from transporting the corn to Mexico.

The American Embassy and the State Department were quite surprised at the decision made by the Mexican Government to cease importing corn. Two weeks prior to the announcement by Suárez, Ambassador Messersmith wrote a very strong letter to the State Department recommending that no effort be spared in locating ships to transport corn to Mexico. State Department officials were particularly embarrassed since up until the time of the Mexican notification they had been pressuring Government agencies in Washington to deliver more corn to Mexico. The day prior to the announcement of the Mexican Government's decision, members of its Embassy staff had called at the State Department to request the release

⁵³United States Embassy in Mexico to Division of Mexican Affairs, September 22, 1944, State Department Records, NA, RG59.



of more corn for their country.⁵⁴

As a result of the Mexican announcement the State Department informed Ambassador Messersmith that it had ceased all attempts to locate and transport corn to Mexico. In reply to a second appeal from Minister Suárez, the United States again replied that it was unable to purchase or ship the Mexican corn in Argentina. By October the shortage had ended, and thereafter Mexico was able to provide its people with food either imported through normal channels or produced domestically.

Table 8-2 shows total Mexican imports from the United States of those staples in particularly scarce supply during the war. Shipments in 1944 of wheat from Australia amounting to 63,066 tons, and corn from Argentina totaling 13,832 tons which were carried in American ships are not included in these figures. With the exception of 38,489 tons of Canadian wheat sent to Mexico by rail in 1945, 6,574 tons of Argentine corn received in the same year and the items listed above which were transported from Australia and Argentina in American ships, the data contained in Table 8-2 pertaining to wheat, corn and wheat flour represents, by and large, Mexico's entire importation of these commodities during the war years. It will be noted that 1944 was the peak year for most items included in the Table.

⁵⁴United States Embassy in Mexico to Division of Mexican Affairs, September 22, 1944, State Department Records, NA, RG59.

TABLE 8-2

MEXICAN IMPORTS OF SELECTED COMMODITIES FROM THE UNITED STATES⁵⁵
1941-1945
(All Figures in Tons)

<u>COMMODITY</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>	<u>1945</u>	<u>1946</u>
Corn	7	199	29,788	144,949	41,389	9,238
Wheat	121,635	144,317	287,094	368,098	273,231	259,649
Wheat Flour	95	96	116	54,309	11,464	42,515
Lard	8,282	6,451	6,395	25,841	5,747	8,084
Sugar	3,753	22	12	3,141	554	1,984

Throughout the duration of the food emergency in Mexico, Ambassador Messersmith in his reports to the State Department continually stressed that the delivery of grain and other foodstuffs from America was the best way to demonstrate support for President Camacho and Foreign Minister Padilla, and insure the defeat of those advocating an end to the policy of close collaboration with the United States. During the darkest days of the food shortage certain pro-Axis elements within the Mexican society attempted to discredit the United States and the Mexican Government's policy of cooperation with its American neighbor by claiming that the scarcity of food was caused by the United States buying large quantities of Mexican staples at very high prices to send to its troops abroad. To hungry and uninformed people this allegation sounded plausible, causing the frequent demand for the recall of Mexican laborers from the United States.

Several of Mexico's leading newspapers attempted to counteract the anti-American attitude cultivated by Fascist sympathizers in the larger

⁵⁵Foreign Commerce of Mexico 1941-1943 (Washington: Pan American Union, 1950).

cities during the spring and summer of 1944. A news article from Maffana, a paper usually not friendly towards the United States, stated: "The United States not only is not taking away from us our articles of prime necessity but we, in exchange for the indisputable favor of sending laborers to them, are receiving from them the most indispensable products for our own subsistence." After listing the food items provided by the United States, the writer noted that American ships were transporting grain to Mexico from Argentina and Australia "to the grave prejudice of these ships' war effort."⁵⁶ In the opinion of La Prensa, one of Mexico's most respected dailies, "without the shipments from the United States of corn, wheat and lard, articles which are indispensable for Mexican diet, the situation of our people, which today is distressing, would be tragic."⁵⁷

There can be little doubt that the United States performed a vital function in supplying large amounts of food to Mexico, particularly during the most severe shortages in 1944. Without this assistance the stability of the Camacho Administration and its policy of close collaboration with the American Government, as manifested by the strategic materials production program and the migratory worker program, would have been genuinely endangered. In early 1945 while addressing critics of Mexican cooperation with the United States in the war effort, Foreign Minister Padilla spoke of American assistance during his country's food emergency. "This [criticism] was happening," Padilla pointed out, "at the very moment when, only to speak of 1944, we were obtaining from the United States what that nation urgently needed for its soldiers at the front.... We may state in these grave moments of human history," he

⁵⁶Maffana, July 1, 1944.

⁵⁷La Prensa, May 19, 1944.

concluded, "that without the collaboration of this friendly nation--the United States--which was pursued in an efficient and cordial manner, the Mexican people would have experienced truly critical moments."⁵⁸

⁵⁸The New York Times, January 9, 1945.

CHAPTER IX

THE MEXICAN RAILROADS

When the great majority of railroads in Mexico were expropriated by President Lázaro Cárdenas on June 23, 1937, the railways' properties came under the control of the Federal Government which directly administered them until April, 1938. At that time Cárdenas signed a law turning over the administration of the National Lines to the workers themselves under whose direction it remained until December 31, 1940, when Avila Camacho succeeded in having legislation enacted which placed the control in an Administrative Council consisting of seven members, four of which were nominated by the Chief Executive and the remaining three by the Railway Workers Union.¹

During these changes in the management of the Mexican railroads their efficiency, reliability and safety dropped to alarmingly low levels. An editorial in one of Mexico's leading newspapers stated that the expropriation of the railways had given Governments and individuals "the opportunity to lower the standards of what had been, and should continue to be, a commercial enterprise...." Since the nationalization of the railroads, the writer continued, "politics, prerequisites, favoritism, red-tape, infiltration and, above all, disorder in the labor administration" have precluded efficient operations.²

In early 1942, Major Howard G. Hill, a member of the United States

¹Dorothy M. Tercero, "Rehabilitation of the National Railways of Mexico," Bulletin of the Pan American Union, Vol. 78 (July, 1944), pp. 385-391.

²Excelsior, editorial, November 24, 1942.

Army Corps of Engineers, was in Mexico in connection with an exchange of locomotives between the Mexican National Lines and the War Department, and while there he made a cursory inspection of that country's railroads which showed that freight cars were badly defective, track was poorly maintained and, in general, inefficiency reigned. In Hill's opinion Mexico's railway network would collapse if a wartime load were thrust upon it, and he considered it quite likely the United States would find it necessary to assist in a rehabilitation project if large quantities of strategic materials were required from Mexico for defense manufacturing.³

Shortly after Hill's report was received in Washington, Under Secretary of State Sumner Welles and Mexican Foreign Minister Ezequiel Padilla, who was in the United States for discussions with Government officials, announced that an immediate survey of the National Lines was desirable to determine the material and technical assistance required from the United States to enable the railroads to carry the ever-increasing supply of Mexican minerals and other critical materials to the American border. It was agreed that the United States would send a railway specialist to Mexico to conduct the survey jointly with an expert appointed by the Camacho Government.⁴

Since he was somewhat familiar with the railway situation in Mexico, the recently promoted Lieutenant Colonel Hill was designated, under a special assignment to the Office of the Coordinator of Inter-American Affairs (CIAA), as the American member of the inspection team. His

³Report by Major Howard G. Hill, "Conditions of National Railways of Mexico," March 6, 1942, Department of State Records, National Archives, Record Group 59. Hereafter referred to as State Department Records, NA, RG59.

⁴The New York Times, news article by Bertram D. Hulen, April 8, 1942.

arrival in Mexico City on April 6, 1942, marked the beginning of the United States Railway Mission to Mexico which functioned under the direction of the Coordinator of Inter-American Affairs until June, 1946. As a result of his survey, Hill concluded that the condition of both the motive power and rolling stock was far below operating standards due to inadequate maintenance, scarcity of material, and to a large extent, "carelessness, lack of responsibility and general failure to follow good railway operating and maintenance practices."⁵ He urged that the corrective recommendations contained in his report be carried out before the situation deteriorated further.

Ambassador Messersmith was not satisfied with the speed with which the Washington bureaucracy reacted to Hill's report. On July 10, 1942, in a letter to President Roosevelt he urged that American assistance be given Mexico in her attempt to improve the efficiency of the National Lines. In the Ambassador's opinion the entire United States program of economic and political cooperation with Mexico was dependent on rail transportation. He warned Roosevelt that if Mexico's rail system broke down, her economy and her production of strategic materials would suffer drastically. The entire issue, Messersmith explained, rested on the ability of the Mexican Government to insure better management and operation of the railroads coupled with the willingness of the United States to provide the necessary locomotive power, freight cars, heavier rail, maintenance material and repair parts to keep the network operating.⁶

In September, the American Ambassador wrote to Secretary of State

⁵Report by Lieutenant Colonel Hill on Mexican Railways, April 15, 1942, State Department Records, NA, RG59.

⁶George S. Messersmith to Franklin D. Roosevelt, July 10, 1942, Hull Papers, Container 50, Library of Congress.

Hull that the rehabilitation of the Mexican railroads was, in his opinion, more important to the United States than it was to Mexico. He said the Mexican economy could not bear the cost of the equipment and maintenance which was badly needed. Messersmith pointed out that the Mexican Government could have provided for the repairs necessary to insure peacetime operations, but the United States was asking the National Lines to transport seven times more minerals and metals in 1943 than it did in 1941. Since this request involved operations far beyond those normally anticipated, the Ambassador felt the American Government should bear a substantial share of the rehabilitation cost. Finally, Messersmith requested that consideration be given to replacing Colonel Hill with someone who had more experience in dealing with foreign governments.⁷

Within a week Secretary Hull replied that the United States had decided to assume a major portion of the financial burden involved in the rehabilitation program. Hull said that a special allocation would be secured to carry out the task since lend-lease funds could not be used for this purpose. He also informed Messersmith that Oliver M. Stevens, former executive officer of the Missouri Railroad and president of the American Refrigerator Transit Company, had agreed to relieve Colonel Hill as head of the Railroad Mission.⁸

The functions of the United States Railway Mission were broadened and formalized by an exchange of notes between Foreign Minister Padilla and Ambassador Messersmith in Mexico City on November 18, 1942. In his communication to the American diplomat, Padilla stated that Mexico's

⁷George S. Messersmith to Cordell Hull, September 26, 1942, State Department Records, NA, RG59.

⁸Cordell Hull to George S. Messersmith, October 2, 1942, State Department Records, NA, RG59.



capacity to produce urgently needed strategic and critical materials was much greater than her ability to ship these goods to the places where they were exported or consumed. He said that the volume then carried by the National Lines was far greater than the maximum burden it had ever been expected to bear in peacetime. In the Foreign Minister's opinion "prompt and effective action" was needed to carry out the rehabilitation needed by the Mexican railroads to enable them to effectively handle the increased load. In this task, he concluded, the cooperation of the Government and industry of the United States was indispensable.⁹

Ambassador Messersmith replied that his Government was in perfect agreement with the ideas contained in Padilla's note and was eager to embark on this added measure of collaboration with Mexico in the war effort. The United States, Messersmith stated, did not consider it proper to expect Mexico to single-handedly shoulder the weight of this huge enterprise, necessitated in part by the large American demand for defense materials.¹⁰

Under the terms of the exchange of notes the United States undertook to: 1) assume the financial burden for all material and equipment required for the rehabilitation of mutually agreed upon railroad lines, 2) purchase all rails and fastenings needed for this task which were produced in Mexico, 3) provide without reimbursement the necessary American technical assistance to complete the projects, 4) repair in the United States, free of charge, locomotives and other mutually agreed upon equipment belonging to the National Lines, and 5) bear the cost of

⁹U. S., Department of State, Executive Agreement Series No. 289, "Rehabilitation of Certain Mexican National Railways," November 18, 1942, (Washington, 1943), pp. 3-4.

¹⁰Ibid., p. 4.

the additional Mexican road gangs needed to put into operating conditions the road-beds of the mutually agreed upon railroad lines.¹¹

Following consultation between Oliver Stevens and officials of the Mexican National Lines, it was decided that four principal lines would be restored in accordance with the November, 1942 executive agreement. The designated lines included: 1) Laredo-Mexico City via Monterrey, Saltillo and San Luis Potosí; 2) Torreón-Monterrey via Paradón; 3) Cordoba-Suchiate; and 4) Chihuahua-Torreón. These lines were selected to unite Nuevo Laredo on the Texas border with Suchiate on the frontier with Guatemala, so as to provide a rail route with Central America, and to facilitate the exportation to the United States via San Luis Potosí, Torreón, Monterrey and Laredo of strategic minerals found in northern Mexico.¹²

Upon assuming the leadership of the Railway Mission to Mexico, Oliver Stevens spent four months conducting a detailed inspection of the country's rail system, the results of which he submitted to Nelson Rockefeller, the Coordinator of Inter-American Affairs. Contrary to the opinion expressed by Colonel Hill in his report, Stevens stated that the National Lines had an abundance of equipment, the problem was locating it when it was needed. He said locomotives and freight cars were available in greater numbers than could possibly be used; rail was generally of good quality but had been neglected, a condition which could be remedied; machine shops had been horribly neglected, but the tools they contained were normally more abundant and of a finer quality than

¹¹U. S., Department of State, Executive Agreement Series No. 289, "Rehabilitation of Certain Mexican National Railways," November 18, 1942, (Washington, 1943), pp. 3-4.

¹²Tercero, "Rehabilitation of the National Railways of Mexico," pp. 385-391.

those found in shops in the United States; and spare parts, with noted exceptions, were more than adequate to carry out any conceivable repair operation. The quantity of materials in stock was in Stevens' opinion "staggering" and could not possibly be used in the next five years.¹³

In spite of the vast quantities of equipment, Stevens reported that the Mexican rail network was swiftly moving into a state of "paralysis and collapse." In his judgment the real problem lay in the human element where "gross inefficiency, ignorance, and indifferent management and supervision," could be easily identified. He found the supervisors of most shop and track work to be totally incompetent. "No lasting improvement can come," Stevens concluded, "without the rehabilitation of the habits, the methods and the practices of the personnel." He informed Rockefeller that he would meet with the presidents of several American railroads in an effort to obtain numerous skilled technicians and supervisory personnel to come to Mexico to serve as instructors throughout all branches of the Mexican railroads.¹⁴

President Camacho was in complete agreement with Stevens' findings. He considered the chaotic conditions on the National Lines were the result of a lack of discipline, and misuse and waste of material by the workers whom he accused of hindering the work of the United States Railway Mission.¹⁵

Ambassador Messersmith was also critical of the attitude taken by the Railway Workers' Syndicate with respect to the Railroad Mission. In his opinion this union which was one of the most powerful and important

¹³Coordinator of Inter-American Affairs (Rockefeller) to Under Secretary of State, May 12, 1943, State Department Records, NA, RG59.

¹⁴Ibid.

¹⁵The New York Times, February 3, 1943.

in Mexico had no desire to collaborate with Stevens or his associates due to a fear the American technicians would discover that worker inefficiency was responsible for the many defects on the railroads, which according to the newspaper Ultimas Noticias had contributed to seventy-seven accidents in a single day. In addition, the Ambassador charged, the Syndicate's lack of cooperation stemmed from its fear the Railroad Mission would cause several of its leaders to lose their jobs by exposing the fact that the union payroll was larger than necessary. In spite of their opposition, a measure of success was achieved by the Railroad Mission which ultimately consisted of more than forty experienced advisers who had been released by those American railroads that understood the importance of a continuous flow of strategic materials to the United States.¹⁶

Although Ambassador Messersmith stated that agencies of the United States Government were willing to spend as much as \$100 million on the rehabilitation of Mexican railroads, only \$7.5 million was initially allotted for this purpose in May, 1943. Of this total \$5 million came from the President's emergency fund for national defense and \$2.5 million was contributed by the CIAA from unused appropriations.¹⁷

Throughout the remainder of 1943 the Mexican railroads, due in part to the valuable assistance rendered by the American Railway Mission, were able to carry an estimated 2.1 million tons of goods to the United States as compared to 336,092 tons in 1941. There were several

¹⁶ Unpublished Memoirs of George S. Messersmith, Vol. 2, No. 15, University of Delaware.

¹⁷ Foreign Relations of the United States, 1944, Special Assistant to the Under Secretary of State (Collado) to the Secretary of State, January 1, 1944, Vol. 7, p. 1235.

delays that a more organized and efficient system could have avoided, but for the most part, the rail network under the watchful eyes of its American advisers functioned adequately.

Oliver Stevens and his staff spent a significant portion of their time training Mexican supervisory personnel and studying in detail the operations of the National Lines so as to make recommendations for improvement. The other facet of the railroad assistance program consisted in financing specific maintenance and rehabilitation projects. During 1943 the American Mission expended about \$2.8 million in repairing and maintaining the four designated Mexican lines.¹⁸ The most important project, and one of the most expensive, consisted in re-ballasting and re-laying with heavier rail the track between Mexico City and Laredo, which was the principal artery for shipping strategic materials to the United States. Locomotive repair shops which were crowded with unserviceable engines were reorganized under American supervision and work hours increased. In spite of this effort many locomotives had to be sent to the United States, where already overtaxed repair facilities placed them in operating condition. The amount spent on physical rehabilitation was much less than originally estimated due to the efficiency of the United States personnel and the better than expected material and equipment conditions encountered by the mission, while expenditures for the many and varied educational and training programs conducted by the American advisers were greater than anticipated.

By the end of 1943 the Office of the CIAA began to reconsider the question of future American funding of rehabilitation projects on the

¹⁸ Foreign Relations of the United States, 1944, Special Assistant to the Under Secretary of State (Collado) to the Secretary of State, January 1, 1944, Vol. 7, p. 1235.

Mexican railroads. Nelson Rockefeller was willing to continue outlays for training programs and publications, and for any other projects essential to the smooth movement of critical materials to the United States, but he was in favor of cutting back on rehabilitation financing since he felt the Mexican Government had not fulfilled all of its obligations under the November, 1942 exchange of notes.¹⁹

Although not specifically stated in the executive agreement which provided for American assistance in helping Mexico to solve her railroad problems, the United States and the Camacho Administration had tacitly agreed that the latter would work toward a revision of the existing railway labor contracts which both Governments considered a prerequisite to a smooth functioning system. In addition to preventing any action being taken against those whose carelessness and inefficiency caused major accidents, the union contracts precluded the effective use of railroad personnel. Idle workers could not be transferred from one branch of the system to another even when urgently needed; wrecking crews could not lend assistance in another division even if the accident occurred only a few feet on the other side of the division boundary; and necessary repairs were often neglected because mechanics could not be shifted from one engine shop to another.²⁰ In spite of efforts by the Mexican Government the powerful Railway Workers' Syndicate was successful in opposing every attempt at meaningful reform of the labor contracts. This failure on the part of President Camacho provoked charges by certain American officials that Mexico had not completely carried out her obligations as required by the railroad agreement.

¹⁹ Assistant Coordinator of Inter-American Affairs (Douglas) to George S. Messersmith, December 9, 1943, State Department Records, NA, RG59.

²⁰ El Universal, October 18, 1943.

Oliver Stevens and George Messersmith did not share this view, and in December, 1943, the former urged Nelson Rockefeller that he be permitted to spend a maximum of \$500,000 on Mexican rehabilitation projects during the first quarter of 1944 with significant reductions during the remaining quarters so that perhaps not more than \$1 million would be spent for this purpose during the entire year. In a letter to the CIAA, Messersmith also urged that \$500,000 be approved for the restoration program. The Ambassador said he did not feel the Mexican Government had failed to carry out the terms of the railway agreement, and he considered continuation of the rehabilitation program was in America's best interest. In his opinion the Mexican railroads would not have been able to continue their wartime operations without the aid of the Railway Mission whose budget for 1943 amounted to less than half of that originally estimated. In conclusion Messersmith informed Rockefeller that he knew of no other expenditure "made by our Government in any collaborative program with the other American Republics, which has meant so much in the way of material benefits" to the United States.²¹

Based on Stevens' and Messersmith's recommendations, the CIAA allocated \$500,000 for rehabilitation projects for the first quarter of 1944 and lesser amounts for each succeeding quarter. It was Rockefeller's stated intention to cease all restoration financing by the end of 1944 to permit the Mission to concentrate solely on advisory and educational programs. This allocation by the American Government of course had no effect on Mexican expenditures for rehabilitation which in 1944 amounted to \$4 million.

Despite the efforts of the United States Railway Mission, Colonel

²¹George S. Messersmith to Nelson Rockefeller, December 15, 1943, State Department Records, NA, RG59.

J. M. Johnson, Interstate Commerce Commissioner and Director of the Office of Defense Transportation, was not satisfied with the performance of the Mexican National Lines, particularly with regard to what he considered to be an inordinate accumulation of American and Canadian-owned freight cars in Mexico. Whether the number of foreign cars in Mexico at any one time during the war was excessive was a point on which agreement was never reached between Commissioner Johnson on one hand and Ambassador Messersmith on the other.

Throughout the war a less than satisfactory situation existed with regard to the movement of freight cars between the two countries as embargoes and restrictions on freight movements were applied, lifted and reapplied as the number of American-owned cars temporarily retained by the Mexican rail network fluctuated. These American-applied controls were devised, for the most part, so as to have little effect on the movement of strategic materials to the United States and food supplies to Mexico. In all fairness it must be stated that these restraints, which produced more ill will than beneficial results, were employed due to the dilatory operation of the National Lines of Mexico.

The first such restriction, applied by the Interstate Commerce Commission (ICC) in February, 1943, provided that freight cars could enter Mexico from the United States only after receiving a special government permit. It was placed in operation to cut down on the number of American cars accumulated by Mexican railroads, but in reality it had little effect since permits were easily acquired. On February 7 of the following year, a more severe restraint was adopted, limiting the number of permits issued in a given calendar month to the number of American

cars returned from Mexico during the preceding month.²² It was stipulated by Commissioner Johnson that this new system would be managed in such a way as to permit up to forty-five cars of grain to enter Mexico on a daily basis.²³

On learning of the second restriction applied by the ICC, Ambassador Messersmith recommended to Secretary of State Hull "in the strongest and most emphatic form" that all American controls restricting the movement of freight cars into Mexico be immediately lifted for a ninety-day period. Messersmith explained that the embargo which had already affected the industrial structure and economic life of Mexico could produce an economic disaster in a country whose very life depended so heavily on trade with the United States. He said that the operation of some plants and mines producing strategic materials had been hampered by a lack of required American equipment and by a deficit in the number of freight cars needed to carry their products to the border. The Mexican people, the Ambassador reminded Hull, were relying almost exclusively at that time on food shipments from the United States which would almost certainly be blamed if unemployment or starvation resulted from the freight car restriction.²⁴

Messersmith told the Secretary that an embargo could not possibly cure the problems existing on the Mexican railroads. In his opinion only effective measures taken by the Mexican Government in cooperation with the American Railroad Mission could produce the desired results.

²²Foreign Relations of the United States, 1944, George S. Messersmith to Cordell Hull, February 12, 1944, Vol. 7, p. 1237.

²³Memorandum of Conversation between State Department (Carrigan) and American Embassy (Bursley), February 8, 1944, State Department Records, NA, RG59.

²⁴Foreign Relations of the United States, 1944, George S. Messersmith to Cordell Hull, February 12, 1944, Vol. 7, pp. 1237-1239.

The only consequence of the embargo, the Ambassador related, was the return of empty freight cars to the United States which violated good railroad practice, and was done so that, under the provisions of the ICC restriction, more cars could be received the following month. He said that if the embargo were lifted he would immediately put pressure on the Mexican Government to take effective action to control the number of foreign freight cars in the country.²⁵

Secretary Hull relayed the contents of Messersmith's letter to the Interstate Commerce Commissioner who announced on February 16, 1944, that the embargo was being suspended immediately, and would remain so indefinitely provided an improvement in the car situation was noted within fifteen days. Johnson pointed out that he had gone further than merely lifting the restriction for ninety days as the Ambassador had requested and that he would not reapply it as long as the car balance showed some amelioration.²⁶

Almost coincidental with the suspension of the freight car control, President Camacho appointed Andrés Ortiz as General Manager of the National Lines. Ortiz had been studying the operations of the Mexican railroads for about four months, and on assuming his new position he presented the President with recommendations for a reorganization of the railway system. Ambassador Messersmith informed the State Department that Ortiz would closely monitor the foreign car situation in Mexico, and if it were necessary to reimpose any restraints Ortiz would so indicate. Messersmith considered it far more satisfactory if the initiative came

²⁵ Foreign Relations of the United States, 1944, George S. Messersmith to Cordell Hull, February 12, 1944, Vol. 7, pp. 1237-1239.

²⁶ Foreign Relations of the United States, 1944, Memorandum by Division of Mexican Affairs (Carrigan), February 16, 1944, Vol. 7, pp. 1239-1240.

from the Mexicans rather than from the ICC.²⁷

President Camacho, using the extraordinary authority granted to him during the war, issued a decree on March 9, 1944, which amended certain provisions of the law of December 31, 1940, governing the administration of the National Railways of Mexico. The proclamation described by the Mexican National Chambers of Commerce as "another great success" of Camacho's Administration, gave the National Lines' General Manager the power to abrogate those provisions of the workers' collective contracts that had prevented complete rehabilitation of the network, and allowed for reform in the administration of the nation's railroads.²⁸

The Mexican President's action abolished the former seven-member Administrative Council and placed the entire responsibility for administration in the hands of the railway's General Manager who would be assisted by an Advisory Board consisting of nine representatives. The membership of the Advisory Board included the General Manager, who acted as its chairman, one nominee each from the Departments of Treasury and Public Credit, Communications and Public Works, Agriculture and Development, and Labor and Social Welfare, the Confederation of National Chambers of Commerce and Industry, and the Confederation of Industrial Associations of Mexico, and two representatives from the Railway Workers' Union.²⁹ Despite the make-up of the Board, all decisions on organization, management, etc. rested with the General Manager and were final.

A project, not part of the Presidential decree, but closely related

²⁷George S. Messersmith to Cordell Hull, February 26, 1944, State Department Records, NA, RG59.

²⁸George S. Messersmith to Cordell Hull, March 28, 1944, State Department Records, NA, RG59.

²⁹Tercero, "Rehabilitation of the National Railways of Mexico," pp. 335-391.

to the reform of the railroad system was also begun in early March, 1944. A sixty-day program was initiated in the Monterrey railway division under which all management functions in the division were assumed by members of the American Railroad Mission, and all labor contracts were suspended, making it possible for several work shifts to operate in round houses, railway yards, depots and warehouses. Under the existing contracts only one shift per day was permitted.³⁰ The results were excellent as trains moved out of Monterrey in record numbers, proving that the Mexican railroad could be operated as efficiently as any other. Hopes that this experiment would be extended to other areas were not realized due to opposition from the workers' unions.

About two weeks after President Camacho's decree had been made public, but before it had any chance to take effect, Colonel Johnson notified the State Department that a steady deterioration in the foreign car balance in Mexico had been noted since the embargo had been lifted. He said that he was just about "driven to the wall," and were it not for his high regard for Ambassador Messersmith and the State Department he would have "clamped the embargo down on them ten days ago."³¹ The State Department requested the Commissioner take no action to control the movement of freight cars to Mexico, at least until the President's proclamation had an opportunity to rectify the situation. Oliver Stevens made a similar plea to the Chairman of the Association of American Railroads (AAR).

Ambassador Messersmith could not understand Johnson's concern over

³⁰ George S. Messersmith to Cordell Hull, February 26, 1944, State Department Records, NA, RG59.

³¹ Foreign Relations of the United States, 1944, Memorandum by Division of Mexican Affairs (Carrigan), March 18, 1944, Vol. 7, pp. 1241-1242.

the accumulation of American cars by the Mexican railroads. He reported to the State Department that he had contacted several presidents of large United States railroads who fully understood the reasons for the large car buildup in Mexico and were not at all alarmed over its impact on American rail operations. Messersmith notified Department officials that everything possible was being done to return the cars quickly, and he cautioned against any drastic action by the ICC or the AAR.³²

Commissioner Johnson wrote to Secretary Hull on March 21, 1944, to assure him the ICC would cooperate with the State Department on the Mexican railroad matter to the greatest extent permissible. However, he informed the Secretary that freight cars were in great demand on American railroads, making action mandatory on his part if the promised improvement in the car balance did not occur. He said that the upper limit on the number of freight cars in Mexico should be about 3,500, but the figure was then hovering around 5,000, and it threatened to go higher.³³ Hull replied that the Mexican Government was deeply appreciative of the action taken by Johnson in lifting the embargo, and that the State Department believed every assistance should be given President Camacho in his attempt to reorganize his nation's railroads in accordance with the recommendations of the American Railway Mission. The Secretary stated that the Department hoped the ICC would refrain from imposing any restriction on the flow of rail traffic to Mexico until the presidential decree had a chance to operate.³⁴

³²George S. Messersmith to Division of Mexican Affairs (McGurk), March 20, 1944, State Department Records, NA, RG59.

³³Foreign Relations of the United States, 1944, Interstate Commerce Commission to Secretary of State, March 21, 1944, Vol. 7, p. 1244.

³⁴Foreign Relations of the United States, 1944, Secretary of State to Interstate Commerce Commission (Johnson), March 31, 1944, Vol. 7, pp. 1244-1245.

In late March, on learning the ICC was contemplating the reimposition of the embargo, Andrés Ortiz notified Foreign Minister Padilla of the disastrous effects such action would have on domestic affairs in Mexico. He said that the number of American cars temporarily retained in the country had risen due to the large shipments of wheat arriving from Australia which had to be delivered quickly from the coast to the centers of consumption. If controls were applied, Ortiz warned, the movement of critically needed food as well as shipments of strategic materials to the United States would be restricted.³⁵

The Mexican Foreign Minister brought the contents of the memorandum from Ortiz to the attention of Ambassador Messersmith who relayed to the State Department the fears expressed by the General Manager of the National Lines. Based on representations made in Mexico's behalf by the Department and by the head of the United States Railroad Mission, Commissioner Johnson notified Ortiz that he would postpone any restrictive action until the first of June. If by that date, Johnson warned, a decrease had not been noted in the quantity of American cars held by the National Lines, an embargo controlling the number of freight cars entering Mexico would be applied.³⁶

By the middle of May the number of United States railroad cars in Mexico had swelled to 8,615, making it obvious the improvement Commissioner Johnson was looking for would not materialize. In a report to Ambassador Messersmith, Oliver Stevens said Mexico was so lacking in serviceable

³⁵Memorandum, Andrés Ortiz to Ezequiel Padilla, March 23, 1944, State Department Records, NA, RG59.

³⁶Foreign Relations of the United States, 1944, Office of Defense Transportation (Johnson) to General Manager of the Mexican National Railway Lines (Ortiz), May 1, 1944, Vol. 7, p. 1245.

cars that she could not even distribute food throughout the country without using cars belonging to American railroads. This was particularly true during the critical period when Mexico was receiving wheat from Australia and corn from Argentina. Stevens reported that of the 2,400 cars normally loaded in Mexico on an average day, less than 100 went to the United States while the remainder, mainly of American ownership, were used for internal traffic. He stated that Mexican officials were trying to improve the situation, and that as long as serious efforts were made to operate the railroads efficiently he would recommend patience and assistance from the United States. Even if the accumulation reached 12,000 Stevens said he would oppose the application of restrictions by the ICC.³⁷

Colonel Johnson informed the State Department in early June, 1944, that he had made every effort to help the Mexicans, and that he still would lend assistance whenever possible, but that the number of American-owned cars in Mexico had continued to rise, leaving him no alternative other than the adoption of a control system on the movement of freight from the United States. Since the former embargo had been lifted in February the United States had lost 4,591 additional cars in Mexico. He said he would be willing to apply the restriction in the least painful manner possible, and that he would like the Mexicans to indicate their desires as to the application of the controls.³⁸ On June 8, Mexican officials sent a telegram to Johnson listing nine import categories in the order of their desired freedom from the restraints.

³⁷ Oliver Stevens to George S. Messersmith, May 18, 1944, State Department Records, NA, RG59.

³⁸ Foreign Relations of the United States, 1944, Memorandum by Division of Mexican Affairs (Carrigan) June 3, 1944, Vol. 7, pp. 1246-1247.

Without waiting for the Mexican telegram, the Office of Defense Transportation (ODT), on June 10, approved an embargo requiring that all United States freight shipments for Mexico be covered by AAR permits. In Ambassador Messersmith's opinion the ODT announcement that the restrictions were applied at the request of Mexican officials was "gratuitous and somewhat discourteous" since the Mexican Government had no idea as to the nature of the controls prior to their publication, and the embargo was formulated without knowledge of the contents of the Mexican telegram despite the fact the ODT knew it had been sent.³⁹

Under the terms of the embargo, materials to be used by the National Lines and aviation gasoline were exempted from the controls. Grain deliveries were subject to permits, but as a matter of practice permits were not denied for corn, wheat or flour shipments. Permits were usually issued in limited numbers in an attempt to force Mexico to return more cars than were delivered. Ambassador Messersmith reported Mexican officials were not disturbed as much by the embargo as they were by the fact that the AAR exercised exclusive control over all rail traffic to Mexico by determining what priorities were given to each freight shipment. Messersmith recommended that all restrictions be abolished and that 5,500-6,000 be substituted for 4,000-4,500 as the normal limits for Mexican accumulation of American cars.⁴⁰

Colonel Johnson, in his capacity as Director of the ODT, notified Secretary of State Hull on June 23, 1944, that in the short time the new restrictions had been in effect the car situation had continued to

³⁹George S. Messersmith to Division of Mexican Affairs, (McGurk) June 14, 1944, State Department Records, NA, RG59.

⁴⁰George S. Messersmith to Division of Mexican Affairs, (McGurk) July 22, 1944, State Department Records, NA, RG59.

deteriorate. He said it would be necessary to further reduce the number of permits granted for freight shipments to Mexico due to the tremendous need for cars in the United States.

One week later Johnson again wrote to Secretary Hull about the accumulation of American cars by Mexican railroads. He reported that since June 10, the effective date of the current embargo, 289 additional cars had been lost in Mexico. According to Johnson, not only were the Mexicans retaining cars in their country, but they were unnecessarily tying them up at the border. The previous day, he stated, 600 cars destined for Mexico were at Laredo, of which number 300 were issued permits and only 80 moved by the National Lines which could furnish only two engines. On the same day there were tons of American grain lying on the ground along the Santa Fe Railroad due to a lack of freight cars. "If the farmers in the Southwest," Johnson warned, "were appraised of the Mexican car situation and the liberality we have extended, we would have a justified recurrence of senatorial investigation."⁴¹

Due to the further restriction on the number of permits issued by the AAR for freight deliveries to Mexico, Ambassador Messersmith notified the State Department that he had advised General Manager Ortiz that the best interest of his country would be served by sending back to the United States at least two trains of empty cars each day until the car balance showed some improvement. In the Ambassador's opinion this was the only way to "satisfy Colonel Johnson."⁴² Messersmith felt that Johnson had little idea of how "disruptive and ill considered" his actions

⁴¹Foreign Relations of the United States, 1944, Director of the Office of Defense Transportation (Johnson) to Secretary of State, June 30, 1944, Vol. 7, pp. 1249-1250.

⁴²George S. Messersmith to Division of Mexican Affairs, (McGurk) July 4, 1944, State Department Records, NA, RG59.

were and how little they appeared to make allowance for "all the factors which we have to keep in mind."⁴³

Based on Messersmith's recommendation, division superintendents along the Mexican railroads were instructed to return to the border all empty American freight cars which would not be loaded within twenty-four hours. This was a very uneconomical practice, not only because materials were waiting to be sent to the United States which could not be loaded within the allotted time, but also because locomotive power needed to distribute food throughout the country and to export vital commodities to the United States was being used to haul empty cars.

The Ambassador firmly believed that Commissioner Johnson simply had no idea of the tremendous increase in the number of cars needed by the National Lines since the beginning of the war. This need was accentuated by the disappearance of most water-borne commerce between Mexico and the United States which in normal times accounted for a large percentage of the trade between the two countries. In addition, the delivery of strategic materials to the border, the receipt of grain from Australia, and Argentina, and the delivery of thousands of Mexican workers to the United States all contributed significantly to the requirement for additional cars in Mexico.⁴⁴ Messersmith pointed out that Mexico had attempted to purchase additional locomotives and freight cars in the United States to permit her railroads to transport the loads they had to carry, and which the American Government wished them to carry, but due to the war all orders for the production of railroad equipment could not be met. Table 9-1 shows the number of engines and cars sold by the United

⁴³George S. Messersmith to Secretary of State, July 7, 1944, State Department Records, NA, RG59.

⁴⁴Ibid.

States to Mexico during the early and mid-forties. Most of the equipment delivered in 1945 and 1946 was purchased as a result of a \$15 million loan made by the Export-Import Bank to the National Lines in April, 1945.

TABLE 9-1

UNITED STATES LOCOMOTIVE AND FREIGHT CAR SALES TO MEXICO⁴⁵
1941-1946

<u>ITEM</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>	<u>1945</u>	<u>1946</u>
Freight cars	148	323	653	775	1601	1387
Locomotives	20	13	21	13	41	35

Despite the pleas of Ambassador Messersmith, Colonel Johnson felt compelled to place in effect further restrictions during the early part of July. On the eighth he announced efforts would be made to limit the number of cars entering Mexico each day to 110 or half of the number returned, whichever was smaller.⁴⁶ Three days later he notified Secretary Hull that "a hard and fast embargo" had temporarily been adopted against the loading of any freight cars for Mexico due to the large accumulation of American cars by the National Lines. Johnson said that as soon as the situation improved grain and other priority shipments to Mexico would be resumed.⁴⁷

By the end of July the practice of returning large numbers of empty cars produced a reduction in the number of American cars in Mexico and caused Commissioner Johnson to lift the embargo against the loading of

⁴⁵Foreign Commerce of Mexico 1941-1948, (Washington: Pan American Union, 1950).

⁴⁶Memorandum by Office of American Republic Affairs (Duggan), July 8, 1944, State Department Records, NA, RG59.

⁴⁷Colonel J. M. Johnson to Cordell Hull, July 11, 1944, State Department Records, NA, RG59.

freight for Mexico. During the month of July the Mexican railroads delivered 4,082 freight cars to the United States, 2,314 of which were empty, and reduced its holding of American cars by 1,457.⁴⁸

Based on this reduction the State Department again petitioned the ODT and the AAR for the removal of all controls governing the movement of freight between Mexico and the United States. Both Colonel Johnson and C. H. Buford, Vice-President of the AAR, replied that the lifting of the restrictions would result in the movement of all classes of export material to the border, causing a great deal of congestion on the Mexican railway system just as it did when the embargo had been suspended the previous February. They said, however, that they would permit a gradual reduction in the ratio of cars returned by Mexico to cars delivered by the United States. This ratio had been 1.72 during the month of July, and both officials agreed to allow this figure to decrease as efficiency increased on the National Lines.⁴⁹ Johnson recommended that Andrés Ortiz come to Washington to discuss the car accumulation problem and possible actions which might be taken to solve the impasse.

Ortiz felt that the seriousness of the railway situation made his absence from Mexico undesirable; therefore, he sent Benjamin Méndez, Traffic Manager of the Mexican National Lines, and Raúl Compos, the Assistant Traffic Manager, to confer with Colonel Johnson and other interested American officials. A meeting was held on August 21, 1944, between the two Mexicans, Johnson and representatives of the Foreign Economic Administration (FEA), the AAR, ICC, CIAA and the State Department.

⁴⁸ George S. Messersmith to Division of Mexican Affairs, (McGurk) August 2, 1944, State Department Records, NA, RG59.

⁴⁹ Foreign Relations of the United States, 1944, Office of American Republic Affairs to George S. Messersmith, August 7, 1944, Vol. 7, pp. 1259-1261.

Méndez stated that the number of American cars accumulated on Mexico's railroads caused a great deal of embarrassment to the National Lines which was making every effort to return these cars to the United States. He said this excessive number of cars was actually impeding the efficiency of the Mexican rail system, and that it was hoped once they were returned the interchange of cars between the two countries could be on an equal basis.⁵⁰

Johnson replied that there were about 8,500 American freight cars in Mexico, a figure which Méndez did not dispute, which was some 3,000 above the recommended accumulation. He said that if the war in Europe were ended at an early date, a reversal in rail movement patterns toward the Pacific Coast would be experienced which would require every available freight car to effectuate.⁵¹

American officials had decided prior to the arrival of the two Mexican representatives that it would be necessary to retain the permit system, at least until the number of cars in Mexico reached an acceptable level. Johnson and Méndez agreed at the meeting, however, that Mexico rather than the AAR should stipulate which materials destined for Mexico should be granted priority loading permits. For this purpose it was decided that Raúl Campos would remain in Washington to advise the AAR of Mexico's wishes concerning license priorities and loading permits. Méndez also agreed that the National Lines would make every effort to reduce Mexico's holding of American freight cars to 6,000 by December 1,

⁵⁰ Foreign Relations of the United States, 1944, Memorandum by Division of Mexican Affairs (MacLean), August 21, 1944, Vol. 7, pp. 1263-1265.

⁵¹ Ibid.

1944.⁵²

The Mexican representatives were very optimistic this deadline could be met since General Manager Ortiz had recently announced that the National Lines would limit its receipt of American cars to about 100 per day, the maximum number the system could move with efficiency and dispatch. If this order were followed Mexico would have to return 130 cars daily to decrease her holding of United States freight cars to 6,000 by December 1. To assist in the rapid movement of cars to the border, Mexican officials raised the demurrage charge on cars held over forty-eight hours from 30 pesos to 100 pesos per day.⁵³

For the first few weeks after the meeting between Johnson and Méndez, it appeared that Mexico would lower her car accumulation to the agreed number by December 1, but severe rain and flooding in September caused a great deal of track damage in northern Mexico which interfered with rail movement for almost a month. The situation was further aggravated by a completely unnecessary worker strike.

Colonel Johnson notified the State Department in late November, 1944, that in the preceeding few days there had been a net loss of about 300 cars in Mexico which would prevent the National Lines from reaching its goal by the beginning of December. Johnson interpreted this failure as signifying that the Mexicans were not seriously concerned over the car situation, and he said some action would have to be taken to bring about the desired car balance. He pointed out that much more leniency had been exhibited towards Mexico than was normally shown to American railroads

⁵²Foreign Relations of the United States, 1944, Memorandum by Division of Mexican Affairs (MacLean), August 21, 1944, Vol. 7, pp. 1263-1265.

⁵³Foreign Relations of the United States, 1944, Memorandum by Division of Mexican Affairs (MacLean), August 24, 1944, Vol. 7, p. 1266.

which were expected to strictly comply with regulatory orders.⁵⁴

Two days before the December 1 deadline, Andrés Ortiz requested that Colonel Johnson take no drastic action to further regulate rail traffic between the United States and Mexico. Ortiz assured Johnson that car holdings would be reduced to 6,000 by the end of the year if the latter would refrain from imposing additional restraints.⁵⁵

Ambassador Messersmith also requested that no immediate action be taken by the ODT. He said that track damages caused by the September storms had been repaired by the Mexicans in an extraordinary performance which would have been impossible only a few years ago. Messersmith urged the State Department to ask Johnson to abstain from further controls, which in the Ambassador's opinion would be "unjustified under the circumstances and would create very unhappy results."⁵⁶

The new Chief of the American Railroad Mission, E. V. Vandercook, who had replaced Oliver Stevens on September 1, 1944, argued that too much time had been wasted worrying about the foreign car situation in Mexico, which, as far as United States railroads were concerned, was "minor to the point of insignificance." Vandercook pointed out that the National Lines would exceed its 6,000 car goal by about 1,000, or about one-tenth of one percent of the total number of cars in the United States at that time. These same 1,000 cars, he said, represented about five percent of Mexico's entire total, making them a very important factor on

⁵⁴Foreign Relations of the United States, 1944, Division of Mexican Affairs (Carrigan), to George S. Messersmith, November 25, 1944, Vol. 7, pp. 1269-1270.

⁵⁵Andrés Ortiz to Colonel J. Monroe Johnson, November 29, 1944, State Department Records, NA, RG59.

⁵⁶Foreign Relations of the United States, 1944, George S. Messersmith to Secretary of State, November 29, 1944, Vol. 7, p. 1271.

that country's railroads.⁵⁷

The FEA was also opposed to further pressure being put on the Mexican rail network to reduce its American car holdings. FEA officials were disturbed that due to continued requests from Colonel Johnson to expedite the return of foreign cars, the Mexican railroads were bypassing strategic materials destined for the United States in favor of moving empty cars to the border. They reported that as of December 1 there were 1,077 50-ton carloads of strategic materials stockpiled in Mexico awaiting delivery to the United States, and they requested that Mexico be urged to discontinue the practice of returning empty cars even if this resulted in a larger accumulation of American cars in Mexico.⁵⁸

Based on the request from Ortiz and the recommendations of other Federal agencies, the ODT decided to grant the National Lines an additional month to reach the 6,000 car limit. On December 27 Colonel Johnson informed the AAR that approximately 6,400 American and Canadian-owned freight cars, and 1,100 tanker and refrigerator cars were held by Mexican railroads. Having made this differentiation, Johnson said that the limit on accumulation of freight cars would be set at 5,000. Since it was obvious this figure would not be reached by the end of the month Johnson directed the AAR to impose a further control, to be effective January 1, 1945, which would limit the number of freight cars entering Mexico in any given month to 80 percent of the number returned during the previous month. It was further stipulated that if the National Lines was able to reduce its holdings of foreign freight cars by 500 in any month, the 80

⁵⁷ Chief, U. S. Railway Mission (Vandercook) to George S. Messersmith, December 5, 1944, State Department Records, NA, RG59.

⁵⁸ Foreign Relations of the United States, 1944, Foreign Economic Administration (Brown) to Division of Mexican Affairs (MacLean), December 1, 1944, Vol. 7, pp. 1271-1273.

percent allowance would be increased by 5 percent. This procedure would be followed until the freight car accumulation had been reduced to 5,000 after which the interchange would be on a 100 percent basis.⁵⁹

Throughout 1944 when the Mexican railroads were struggling to decrease the number of foreign cars in their possession, the United States Railway Mission continued its rehabilitation work, although to a lesser degree than in the previous year, and intensified its educational efforts under the terms of the November, 1942 exchange of notes. Financial and technical assistance supplied by the Mission in 1944 resulted in reconditioning of locomotives, repairing of miles of track and the removal of dangerous grades, and the equipping of repair shops with the few critical materials they had previously lacked. In addition to the training carried out by American technicians in Mexico, a proposal by the CIAA, readily accepted by the National Lines, resulted in seventy Mexican workers going to the United States in April, 1944, for six months of instruction which could best be given in the modern repair shops of the American railroads. It was hoped that ultimately about one thousand Mexicans would participate in this program, and that following this training these men would return to Mexico to impart their recently acquired knowledge to their fellow workers.⁶⁰

By the end of July both Ambassador Messersmith and Nelson Rockefeller had decided that effective December 31, 1944, the United States should not finance further rehabilitation work on the Mexican railroads. Their

⁵⁹Foreign Relations of the United States, 1944, Office of Defense Transportation (Johnson), to American Association of Railroads (Kendall), December 27, 1944, Vol. 7, pp. 1274-1275.

⁶⁰Coordinator of Inter-American Affairs (deCamp), to Division of Mexican Affairs (McGurk), July 18, 1944, State Department Records, NA, RG59.

decision was based on the material condition of the rail system which was far better than it had been when the American mission arrived, and on the assumption that United States purchases of strategic materials would begin to decrease by the end of the year.

In a memorandum to Foreign Minister Padilla, dated September 21, 1944, Messersmith noted that in the past two years the rehabilitation of major sections of Mexico's rail system had been carried out by the National Lines with the collaboration of the United States Railway Mission, which had also provided a great deal of technical assistance and, after conducting a survey of the entire network, made several recommendations for improvements in rail service. The Ambassador stated that the conditions existing when the United States undertook the rehabilitation burden were no longer present, and noted that the Mexican railroads were now able to carry normal traffic as well as a wartime load. He therefore proposed that effective December 31, 1944, the requirement for the American Government to assist in rehabilitation work be eliminated, leaving only technical assistance programs within the Railway Mission's competence. However, he assured Padilla that on specific rehabilitation projects already approved by the United States, assistance would continue until the work was completed.⁶¹

The Foreign Minister replied that his Government was in agreement with Messersmith's proposal and hoped that all rehabilitation projects previously approved would be expeditiously completed.⁶² By the end of the year only two restoration commitments were outstanding, one on the

⁶¹George S. Messersmith to Ezequiel Padilla, September 21, 1944, State Department Records, NA, RG59.

⁶²Ezequiel Padilla to George S. Messersmith, December 13, 1944, State Department Records, NA, RG59.

Mexico-Querétaro Division amounting to \$100,000 and another on the Southeast Division which totaled \$500,000.⁶³ The United States provided the funds in 1945 and 1946 to complete this work, but thereafter the American Railway Mission confined its activities to educational and technical assistance programs.

The restriction on freight car movement from the United States to Mexico became effective on January 1, 1945, as directed by Colonel Johnson. During the month of January the National Lines received 2,311 cars from the United States and returned 2,522 for a net reduction of 211. By the beginning of February the AAR had received permit requests for 2,600 cars for the current month, but under the 80 percent rule 2,017 was the maximum number that could enter Mexico.⁶⁴ Actually only 1,727 freight cars, many of them carrying grain, crossed the border into Mexico during the month of February, causing a diminution in normal trade between the two countries.

In mid-February, the United States Railway Mission reported that there existed a great need in Mexico for freight cars to distribute food and other urgently needed supplies throughout the country, and that if the restrictive measures on the movement of cars continued, it was quite likely the National Lines would decide to use all available cars for internal traffic to the detriment of export business. A survey conducted by the Mission showed that Mexico needed 7,208 foreign cars to handle all her transportation requirements.⁶⁵

⁶³George S. Messersmith to Ezequiel Padilla, December 29, 1944, State Department Records, NA, RG59.

⁶⁴Division of Mexican Affairs (Carrigan), to George S. Messersmith, February 6, 1945, State Department Records, NA, RG59.

⁶⁵Report of United States Railway Mission, February 14, 1945, State Department Records, NA, RG59.

February was the only month in which the 80 percent rule was effectively applied. In each successive month until its suspension in July, 1945, some reason, usually the importation of critically needed grain or material for an important industrial project, was found to temporarily suspend its operation. Under this restriction only 1,535 freight cars should have been permitted to enter Mexico in March, but figures show that 3,026 actually crossed the border and that during the month American railroads showed a net loss of 551 cars.⁶⁶ This loss so infuriated Colonel Johnson that he began to consider a complete eight day embargo on the delivery of cars to Mexico.

On learning of the plan contemplated by Colonel Johnson, Ambassador Messersmith informed the State Department that such action would be extremely ill-advised and would have disastrous effects on the Mexican economy. He complained that very little attention seemed to have been given to the Railway Mission's report which indicated that slightly more than 7,000 American freight cars were needed in Mexico to meet existing requirements. At Messersmith's urging State Department officials warned the ODT that the embargo they were considering, besides disturbing the delicate Mexican economy, could seriously affect United States-Mexican relations and influence Mexico's attitude during the approaching San Francisco meeting of the United Nations. After listening to the State Department's argument, Colonel Johnson decided against the eight day embargo.⁶⁷

By the beginning of July, 1945, the number of American and Canadian-

⁶⁶Foreign Economic Administration to George S. Messersmith, April 5, 1945, State Department Records, NA, RG59.

⁶⁷George S. Messersmith to Division of Mexican Affairs (Carrigan), State Department Records, NA, RG59.

owned freight cars in Mexico had decreased to 5,344, which prompted the ODT to suspend the 80 percent rule and permit interchange on a one-for-one basis.⁶⁸ The Chief of the United States Railway Mission notified the CIAA that it was reasonable to expect the Mexican accumulation of foreign cars to rise slightly and fluctuate somewhat between 6,000 and 7,000. Vandercook said that cars were moving better than at any time since the arrival of the Mission and that the system was free of any congestion whatever. He stated that in the last sixty days there had been a truly remarkable improvement in the efficiency of the National Lines which could be sustained, provided there was not a recurrence of the labor difficulties which had plagued the network in the past.⁶⁹

In early September Ambassador Messersmith recommended to the Secretary of State and to Harold D. Smith, Director of the Bureau of the Budget, that the Railroad Mission continue to function in Mexico until June 30, 1946. He cited some still to be completed rehabilitation work on the Southeast Division of the National Lines and the need for technical assistance on a few important projects as the principal factors in support of his position that the Mission should be maintained. Messersmith reported that in Vandercook's opinion expenditures for the first half of 1946 would not exceed \$25,000 per month.⁷⁰ The United States Government ultimately approved the Ambassador's recommendation, permitting the Mission to carry out commitments previously undertaken and to continue

⁶⁸ Foreign Economic Administrator to George S. Messersmith, July 3, 1945, State Department Records, NA, RG59.

⁶⁹ Chief of United States Railway Mission (Vandercook), to Office of the Coordinator of Inter-American Affairs (deCamp), July 31, 1945, State Department Records, NA, RG59.

⁷⁰ George S. Messersmith to Secretary of State, September 4, 1945, State Department Records, NA, RG59.

its advisory function until mid-1946.

By the end of October, 1945, a series of strikes and slowdowns on the Mexican railroads caused the accumulation of foreign cars to exceed 7,200 and prompted the ODT to impose a total embargo on freight movements to Mexico for a ten-day period. Following the embargo steps were taken by the AAR to limit the number of permits issued for shipments of food and railroad material, and the National Lines resumed the undesirable practice of returning empty freight cars to the border.⁷¹

Ambassador Messersmith notified the State Department in December that the work stoppages had made the operation of Mexico's railroads more difficult than at any time since his arrival in February, 1942. He said that President Camacho had ordered the military to fill vacant positions in an attempt to restore some measure of efficiency to the rail network. In the Ambassador's opinion the blame for this distressing situation lay entirely with the leaders of the railway syndicates whose attitude Messersmith described as "most arbitrary and completely lacking in understanding."⁷²

The American diplomat also reported that the desired results were not being obtained from the program begun in April of the preceding year under which Mexican railroad workers came to the United States for training in American repair shops. It had been hoped that on returning to Mexico these workers would be placed in positions where they would be able to impart to their fellow workers the knowledge and experience they had gained in the United States. This was prevented by the railroad

⁷¹Memorandum of Conversation, American Association of Railroads (Arnett) and Division of Mexican Affairs (MacLean), November 5, 1945, State Department Records, NA, RG59.

⁷²George S. Messersmith to Division of Mexican Affairs (Carrigan), December 11, 1945, State Department Records, NA, RG59.

unions which insisted that the trainees could only be elevated to instructional positions on the basis of seniority and not because of knowledge acquired in the United States.⁷³

The American Railroad Mission completed all approved rehabilitation projects and furnished technical assistance during the first half of 1946, but the operation of the National Lines remained in a state of confusion due to the attitude of the Railway Workers' Syndicate. This problem was one that could only be solved by the Mexican Government assuming a strong and uncompromising position with respect to the unions, something which did not occur during the life of the United States Railway Mission.

The cooperative railroad program between Mexico and the United States was officially terminated by a joint governmental memorandum on July 5, 1946. The communique noted that during the existence of the program the National Lines had expended in excess of \$40 million for rehabilitation projects and had contracted for the purchase of new equipment in the United States which would involve another large sum of money. During the same period the United States had contributed \$4,860,037.54 for material, equipment and physical restoration work while making available \$1,875,909.76 for educational and technical assistance projects. The joint statement reported that the American Railway Mission had fulfilled "to the entire satisfaction of the parties its functions and responsibilities in cooperating with the National Railways in carrying out the cooperative railroad program..."⁷⁴

⁷³George S. Messersmith to Secretary of State, April 25, 1945, State Department Records, NA, RG59.

⁷⁴Foreign Relations of the United States, 1946, "Joint Memorandum Relative to the Termination of Cooperative Railroad Programs Undertaken by the Governments of the United States of Mexico and the United States of America," July 5, 1946, Vol. 11, pp. 1036-1039.

Ambassador Messersmith felt that although the operation of the Mexican National Lines was never satisfactory, its capabilities were greatly enhanced by the work of the Railway Mission. He listed the Mission's three great contributions as: 1) cooperation in restoring Mexico's railroads, motive power, tracks, rolling stock and repair facilities to a condition that they had not enjoyed for many years, 2) the education of management and some workers in efficient railway operation and 3) prevention of a complete collapse in Mexico's rail network with its attendant serious consequences for the Mexican economy and the United States defense industries which would have been deprived of vast quantities of strategic materials from Mexico.⁷⁵

In his memoirs George Messersmith wrote:

So far as the United States was concerned, the material benefit that we received from the work of the Mission was far in excess of the amount spent on the work which the Mission did. The minerals and metals and fibers and other raw material which we secured from Mexico during the period of the war were not only helpful to us but they were indispensable in meeting deficiencies...in other countries. The work of the Mission was a very real contribution to the war effort and the amount spent was insignificant...[in comparison to] the advantages secured for us alone, not to speak of the advantages secured also for Mexico.⁷⁶

The United States sent its railroad experts to Mexico and expended funds on the rehabilitation of the Mexican National Lines primarily to insure that Mexican strategic materials would be transported to the American border with a reasonable degree of efficiency. Since this was the

⁷⁵George S. Messersmith to Oliver Stevens, May 28, 1944, State Department Records, NA, RG59.

⁷⁶Unpublished Memoirs of George S. Messersmith, Vol. 2, No. 15, University of Delaware.

stated objective of the Railway Mission, and since this objective was realized, the cooperation between Mexico and the United States in this particular endeavor has been judged a success by Ambassador Messersmith and many other officials from both Governments. This is probably a fair evaluation, but the potential existed for far more satisfactory results than were realized. The attitude of the Railway Workers' Syndicate was completely uncompromising and served only to hinder the efforts of the American railway experts to improve the operation of the rail network. The obstructionist tactics employed by the railroad unions during this period must be condemned. President Camacho can also be criticized for his failure to deal more firmly with the syndicate. Had Camacho employed in an effective way the extraordinary powers he possessed during the war years, there is little doubt he could have compelled union officials to cooperate with the Railway Mission, thus assuring much more efficient and trouble-free operation of the Mexican National Lines.

CHAPTER X

THE RECIPROCAL TRADE AGREEMENT

Following his election to the Mexican Presidency, Avila Camacho expressed to Ambassador Josephus Daniels the hope that either President Roosevelt or some other high ranking official of the United States Government would find it convenient to come to Mexico for his inauguration in December, 1940. Roosevelt was unable to free himself from his pressing Washington duties, but he sent Vice-President-elect Henry A. Wallace to Mexico City to represent him at the inauguration and the many official functions and celebrations which traditionally formed a part of the inaugural festivities.

During his stay in Mexico, Wallace received several Mexican delegations, principally from the nation's northern states, which advocated the negotiation of a reciprocal trade agreement between their country and the United States. On his return to Washington he notified Secretary of State Hull of this sentiment in favor of a trade convention, but Wallace also informed Hull that in his judgment the conclusion of such an understanding should form part of a larger arrangement designed to settle, among other things, the oil expropriation and agrarian claims issues.¹

At that time a formal treaty or agreement governing the commercial relations between the two countries did not exist. However, both the United States and Mexico extended a most-favored-nation treatment with

¹Henry A. Wallace to Cordell Hull, December 16, 1940, Department of State Records, National Archives, Record Group 59. Hereafter referred to as State Department Records, NA, RG59.

respect to duties on imports from the other, that is, treatment as favorable as that accorded similar products from any other country, with the single exception of United States imports from Cuba which were given special consideration.²

The terms of the comprehensive understanding which laid to rest all the major problems that had recently clouded United States-Mexican relations were made public on November 19, 1941. One of the points on which agreement was reached was the desirability of negotiating a reciprocal trade convention as soon as possible. Preliminary discussions began on December 26, 1941, and on April 4, 1942, Acting Secretary of State Sumner Welles gave public notice of the intention of the American Government to negotiate a trade agreement with Mexico.

A similar announcement made by the Camacho Administration was received with a great deal of satisfaction in Mexico where most press reports gave favorable coverage to the proposed arrangement. An editorial comment from one newspaper stated:

We hope then that the treaty will be carried out, not under the spur of war, but in obedience to a plan of fullest support, a plan which in a few years will give the Río Bravo frontier the same character as has the frontier between the United States and Canada, which is no more than an imaginary line, something like a fence, dividing without separating the garden which equally serves two houses in which live two brothers.³

The State Department sent a memorandum to the Mexican Embassy in Washington on May 26, 1942, which contained a proposed draft of the general provisions for a trade agreement. Ambassador Castillo Nájera

²Division of Commercial Treaties and Agreements (Hawkins) to William L. Taylor, May 29, 1941, State Department Records, NA, RG59.

³Ultimas Noticias, editorial, April 9, 1942.

replied in early July that with a few noted exceptions his Government was basically willing to accept the American draft provisions. He notified Secretary Hull that the Mexican technical delegation headed by Dr. Ramón Beteta had arrived in the United States and was willing at the first convenient moment to begin discussions on specific concessions to be made by both countries.⁴

The Ambassador went on to say that with respect to a great many products the major concession his country could make would be to bind itself not to increase existing duty rates, which he felt would be a great advantage for the United States. Castillo Nájera stated that if the proposed agreement was to be negotiated on the basis "of real, just and equitable reciprocity" his Government felt the United States would have to grant substantial tariff reductions, even though Mexico for the most part would be unable to drastically alter existing rates. He said that any Mexican decrease in import duties would entail a much greater sacrifice than a similar reduction of the American tariff.⁵

The Mexican diplomat stressed that the point of departure for the United States in its discussions would be the Smoot-Hawley Tariff of 1930, whose height was unprecedented in American history, while Mexico would start with a tariff which ranked among the world's lowest. He pointed out that the two Governments received in absolute figures almost equal amounts from the duties covering the trade between their two countries; however, this amount corresponded to 27.1 percent of tariff revenues collected by Mexico in 1940 while amounting to only 0.5 percent

⁴Foreign Relations of the United States, 1942, Memorandum, Ambassador Castillo Nájera to Secretary of State Hull, July 6, 1942, Vol. 6, p. 497.

⁵Ibid., p. 498.

of the duty receipts of the United States in the same year. The Ambassador said that his country was attempting to assist in the continental defense and had, under the comprehensive agreement, taken on new financial obligations, which could not be met if substantial tariff reductions were granted.⁶

Finally, Castillo Nájera pleaded that as part of the trade convention the United States agree to permit the importation of an increased amount of Mexican oil under the American reduced import duty. The United States Revenue Act of 1932 placed a duty of one-half cent per gallon (\$0.21 per barrel) on all foreign petroleum entering the country. In its trade agreement with Venezuela in 1939, the American Government lowered the tariff to one-quarter cent per gallon on an amount of oil imported in any calendar year equal to 5 percent of the total United States domestic production during the previous year. All imports in excess of this amount would be subject to the one-half cent rate. In accordance with the Venezuelan arrangement, the reduced duty quota was set at 61,892,000 barrels in 1940 and was allotted among Venezuela, the Netherlands West Indies, Colombia, and other countries, principally Mexico. The amount allocated to other countries, out of which Mexico's share came, accounted in 1940 for only 3.8 percent of the 5 percent quota.⁷ During that year Mexico exported less than 3 million barrels of oil to the United States under the lower duty, and in his memorandum to Secretary Hull the Mexican Ambassador requested that his country's quota under the one-quarter cent rate be increased to 31 million barrels.

⁶Foreign Relations of the United States, 1942, Memorandum, Ambassador Castillo Nájera to Secretary of State Hull, July 6, 1942, Vol. 6, p. 498.

⁷U. S., Department of State Bulletin, Vol. 7, No. 183A, (Washington, December 26, 1942), pp. 1052-1053.

Even before receiving this correspondence from Castillo Nájera, the Secretary of State and other Department officials had decided that certain concessions would have to be granted to Mexico with regard to petroleum imports. On July 4, 1942, two days before hearing from the Mexican Ambassador, Hull had proposed to the Petroleum Coordinator for National Defense, Harold L. Ickes, that a reduction in the import duty from one-half cent to one-quarter cent per gallon be granted on all oil received from Mexico regardless of the amount delivered by any other country at the reduced rate.⁸

The formal opening of the trade agreement negotiations was held in Washington on July 20, 1942. Since the State Department had not received a definite reply from Harold Ickes with regard to its proposed tariff decrease for Mexican petroleum, very little progress was made in reaching a decision on specific concessions that each country would offer to the other. The Mexican delegation stated that it would be unable to present a list of those products on which import duties would be frozen or lowered until a definite proposition was made on the oil question.⁹

By the end of July still no word had been received from Ickes, whose delay in responding caused the Mexicans to become quite impatient. Dr. Beteta called at the State Department to ascertain how much longer he would have to wait for a decision on the oil issue. He said it was very difficult to consider United States tariff proposals or encourage his Government to offer concessions until this matter of such great importance to his country's economy was decided. Department officials informed

⁸Cordell Hull to Petroleum Coordinator for National Defense (Ickes), July 4, 1942, State Department Records, NA, RG59.

⁹Memorandum by Division of Commercial Policy and Agreements (Smith), July 20, 1942, State Department Records, NA, RG59.

Beteta they hoped to be able to offer him a specific proposal within the next few days.

It was not until late August that Ickes, who also held the position of Secretary of the Interior, expressed his doubts concerning the petroleum concession recommended by Secretary Hull. Ickes feared that by allowing Mexico to send to the United States unlimited amounts of oil at the reduced tariff rate the American Government would incur the wrath of domestic producers, and be accused by many of undermining its own petroleum conservation program, in which Mexico was cooperating, by encouraging wasteful exploitation of that country's oil resources. Harry C. Hawkins, Chief of the State Department's Division of Commercial Policy and Agreements, disagreed with Secretary Ickes and informed Under Secretary Welles that there was no valid reason for not granting the recommended concession to Mexico. He told Welles that the successful conclusion of the trade agreement depended on the petroleum import duty reduction. In Hawkins' opinion, failure to decrease the petroleum tariff would cause a suspension in negotiations which would be impossible to resume in the near future with any chance for success.¹⁰

On September 2, Welles informed Secretary Ickes that negotiations on the trade convention had been at a standstill for well over a month because of the State Department's hesitancy, in the absence of any official word from the Petroleum Coordinator's Office, to make a definite proposal to Mexico concerning petroleum imports. The Under Secretary told Ickes that due to the long delay three members of Mexico's commerce delegation had already left Washington and Dr. Beteta, the chief negotiator, had indicated he would be returning to his own country within

¹⁰Division of Commercial Policy and Agreements (Hawkins) to Sumner Welles, August 25, 1942, State Department Records, NA, RG59.

the next few days. Welles cautioned that a further delay could prevent the conclusion of the agreement, and he requested that Ickes respond favorably to the Department's recommended petroleum proposal.¹¹

Two days following Welles memorandum to Ickes, Dr. Beteta notified the State Department that he and the remaining members of his delegation were returning to Mexico as soon as transportation could be arranged. He insisted that his departure was not intended to signify a suspension in the negotiations or even discouragement on his part with regard to the progress that had thus far been made. Beteta simply said that if he returned to Mexico he felt it would be easier to explain to his Government the reason for the delay on the petroleum decision, and some of the tariff concessions desired by the United States.¹² Despite his assurances, it can in all probability be asserted that had the American Government been able to make a definite proposal with regard to oil, Avila Camacho would not have found it necessary to recall Beteta to Mexico City for consultation.

While Under Secretary of State Welles was awaiting a reply from Harold Ickes, State Department officials were discussing whether Venezuela and Colombia, which had previously supplied the United States with the largest amounts of petroleum under the reduced duty quota, should be advised of the proposed oil concessions for Mexico. Philip Bonsal of the Division of American Republics Affairs was of the opinion that Venezuela and Colombia should not be confronted with a fait accompli. Bonsal urged

¹¹ Sumner Welles to Petroleum Coordinator for National Defense (Ickes), September 2, 1942, State Department Records, NA, RG59.

¹² Foreign Relations of the United States, 1942, Memorandum of Conversation by Division of Commercial Policy and Agreements (Fowler), September 4, 1942, Vol. 6, p. 513.

that if the United States position was sound and did not violate commitments with other countries then it would be well to keep these countries informed.¹³

Harry Hawkins took the position that Venezuela and Colombia should be told nothing until just prior to the publication of the Mexican agreement. Hawkins argued that notifying these two countries would only serve to prolong negotiations which had already been seriously delayed. He said that nothing bound the United States to advise them of the proposal made by the American Government which, in effect, was designed to correct an inequality in Mexico's oil quota which had been set very low due to the expropriation of American petroleum properties in 1938.¹⁴

Assistant Secretary of State Dean Acheson finally referred the question to Under Secretary Welles who directed that Venezuela and Colombia should not be kept informed of discussions between United States and Mexican officials relative to the trade agreement. Welles said that the proposed oil concession, to which Secretary Ickes had recently acquiesced, would probably affect Venezuela's monopoly position and subject her petroleum industry to competition, but this was not a condition which should cause bilateral negotiations to become multilateral.¹⁵ When the Counselor of the Venezuelan Embassy was finally notified of the petroleum concession granted to Mexico on the day before the Mexican-United States agreement was signed, Hawkins reported that he was more

¹³ Division of American Republics Affairs (Bonsal) to Division of Commercial Policy and Agreements (Hawkins), September 16, 1942, State Department Records, NA, RG59.

¹⁴ Division of Commercial Policy and Agreements (Hawkins), to Division of American Republics Affairs (Bonsal), September 17, 1942, State Department Records, NA, RG59.

¹⁵ Assistant Secretary of State Dean Acheson to Harry Hawkins, October 6, 1942, State Department Records, NA, RG59.

concerned with revising his country's trade convention then protesting against the Mexican arrangement.¹⁶

The State Department delivered to the Mexican Embassy in Washington in early October, 1942, a complete list of those products on which tariff concessions were offered and those on which concessions were requested. With regard to petroleum it was proposed that the import duty on Mexican oil be lowered to one-quarter cent per gallon "without limitation as to the quantity which may enter at the reduced rate of tax from Mexico or any other source."¹⁷

Since Mexico had refused to consider specific proposals prior to receiving the American petroleum offer, it took Mexican officials several weeks to study the detailed product-by-product list supplied by the State Department. On November 16, 1942, Secretary Hull notified Ambassador Messersmith that the Department was anxious to conclude the trade agreement in the not too distant future, and he directed Messersmith to approach the Foreign Office with the aim of expediting a reply to the American memorandum of October 8. The Ambassador was instructed to explain that the United States regretted previous delays, for which it alone was responsible, and express his Government's hope that Mexico would soon respond favorably to the State Department proposal.¹⁸

Shortly thereafter Messersmith was advised by Manuel Tello, that Mexican acceptance of the United States draft was in "a very advanced

¹⁶Memorandum of Conversation by Harry Hawkins, December 22, 1942, State Department Records, NA, RG59.

¹⁷Foreign Relations of the United States, 1942, Memorandum from Department of State to Mexican Embassy, October 8, 1942, Vol. 6, pp. 515-522.

¹⁸Foreign Relations of the United States, 1942, Cordell Hull to George S. Messersmith, November 16, 1942, Vol. 6, p. 522.

state," with only a few easily adjusted details remaining to be discussed. He said that the Economic Council of Ministers had decided to send Ingeniero Carlos Arroyo, Chief of the Treasury's Tariff Division, to Washington to probe with American officials the remaining issues which Tello was sure would not hinder final approval of the convention.¹⁹

Shortly after Arroyo's arrival, the few outstanding points were fully discussed and, in the opinion of both Governments, satisfactorily resolved, making it possible to finally conclude the Reciprocal Trade Agreement which was signed in Washington on December 23, 1942, by Secretary of State Hull and Ambassador Castillo Nájera. In accordance with its provisions the convention entered into effect on January 30, 1943, and remained operative for three years, and thereafter until terminated by either side upon giving the other party six months advance notice of its intent.²⁰ In reaching this understanding Mexico became the twenty-fifth country overall and the fifteenth American Republic to sign a reciprocal trade pact with the United States under the provisions of the Trade Agreement Act of 1934.²¹

The convention which was designed to facilitate commerce between the two countries during the war emergency and insure a basis for trade expansion following the end of hostilities, provided mutual benefits in the form of tariff reductions and bindings on existing rates with respect to specific products, as well as guarantees against trade discrimination in the form of quotas, taxation and exchange controls. The normal

¹⁹Foreign Relations of the United States, 1942, George S. Messersmith to Cordell Hull, December 5, 1942, Vol. 6, pp. 523-524.

²⁰U. S., Department of State, Executive Agreement Series No. 311 (Washington, 1943), p. 19.

²¹Bulletin of the Pan American Union, Vol. 77, No. 3 (March, 1943), p. 144.

most-favored-nation treatment was also accorded which insured that concessions granted by either party to a third country would automatically be extended to the other party. As was usually the case in agreements of this sort, an exception to the latter provision was made in the case of United States commercial relations with Cuba.²²

The convention, in addition to its general provisions, contained three lists or Schedules. Enumerated in Schedule I were those products on which Mexico granted concessions to the United States while Schedule II contained American concessions to Mexico. Schedule III listed those Mexican products on which the United States agreed to lower the existing tariff, with the proviso, that the American Government could restore the pre-convention rate at any time after the termination of the national emergency declared by President Roosevelt on May 27, 1941, by providing Mexico with six months written notice of its intention. It was stipulated however, that the pre-convention rate could not be increased during the existence of the reciprocal understanding.²³

Concessions granted by Mexico to the United States under the terms of the agreement covered 203 products raised or manufactured in America. Tariffs on 76 of these items were lowered while the duty on the remaining 127 particulars, six of which entered Mexico without any import tax whatever, were bound against any change to the detriment of the United States. Trade involving these 203 American exports amounted to \$23,413,000 in 1939 or 29.2 percent of the total value of Mexican imports from the United States in that year. Again using 1939 figures, the items on which reductions were granted accounted for \$11,113,000 in Mexican

²²U. S., Department of State Bulletin, Vol. 7, No. 183A, (Washington, December 26, 1942), pp. 1033-1035.

²³Bulletin of the Pan American Union, Vol. 77, pp. 144-148.

imports or 13.9 percent of the goods shipped to that country from the United States. American officials considered the tariff bindings to be particularly important since in recent years the duties on many of those 127 products had increased significantly, and without the trade agreement there was every indication the trend would continue.²⁴

American concessions to Mexico amounted to 95 particulars covered by the Tariff Act of 1930. Tariff reductions were granted for 53 of these products while bindings of existing rates applied to the remaining 42, of which 29 entered the United States duty-free. In 1939 these 95 items accounted for \$35,231,000 or 64.7 percent of the \$54,432,000 in Mexican merchandise delivered to the United States. Those products on which the duty was lowered amounted to \$8,945,000 or 16.4 percent of the American imports from Mexico in that year while 1939 figures indicate that bindings were valued at \$26,286,000 or 48.3 percent of the import total.²⁵

In a report to Secretary of State Hull a few months after the trade agreement had entered into effect the Department's Division of Commercial Policy and Agreements stated:

The approval of the Mexico-United States Reciprocal Trade Agreement...has occasioned much favorable comment and roused a spirit of enterprise and optimism throughout Mexico....If this remarkable document can be implemented and administered by both nations in the same broadly liberal and far seeing manner in which it was negotiated, it will have far reaching effects on the social and industrial progress of the Mexican people, and commensurate benefits for the United States.²⁶

²⁴Department of State Bulletin, Vol. 7, pp. 1033-1034.

²⁵Ibid., pp. 1034-1035.

²⁶Weekly Report, Division of Commercial Policy and Agreements, March 13, 1943, Hull Papers, Container 89A, Library of Congress.

Throughout most of 1943 the terms of the trade convention were meticulously observed by both parties; however, on December 18, 1943, the United States Government became very concerned over a decree published in the Diario Oficial, to become effective on January 18, 1944, which provided for an upward revision of between 10-50 percent in Mexico's import duty on about 600 American products. Although none of the items covered by the decree appeared in Schedule I of the trade agreement, the United States felt this action to be contrary to the spirit of the commercial pact with Mexico, and considered it particularly unfortunate that the Camacho Administration felt compelled to take such a step when the United Nations were in favor of a reduction in trade barriers.²⁷ Secretary Hull summoned Ambassador Castillo Nájera to the State Department to express his concern over the proposed tariff increases and requested the Ambassador to seek the postponement of the decree for a thirty-day period to allow consultation to take place between Mexican and United States officials. Hull believed the decree would cause an undesirable reaction in the United States which could affect the economic cooperation being carried out between the two countries.²⁸

Thomas Lockett, the Economic Counselor of the American Embassy in Mexico City, met with Finance Minister Suárez on January 15, 1944, to discuss the decree and its potential effects on commerce between their countries. Suárez said that the proposed tariff increases were designed to increase Government revenues and formed part of his anti-inflation program. He stated that this method of taxation had been selected since

²⁷Foreign Relations of the United States, 1944, Department of State to Mexican Embassy in Washington, January 14, 1944, Vol. 7, p. 1213.

²⁸Memorandum of Conversation between George S. Messersmith and Cordell Hull, January 14, 1944, State Department Records, NA, RG59.

it was easily enforceable and would take a considerable amount of money out of circulation. After Lockett explained that if the increases became effective, the amount of trade between Mexico and the United States would decrease, Suárez replied that the price situation in Mexico brought about by inflationary pressures within the economy was causing a great deal of concern to President Camacho who felt that something had to be done to slow down price increases. At Lockett's request the Finance Minister agreed to recommend a thirty-day postponement of the effective date of the decree, but he stressed that if the delay were approved the United States would have to assist Mexico in her battle against inflation by exporting more American goods to his country in order to draw dollars out of circulation.²⁹ Two days following this meeting Suárez notified the United States Embassy that in accordance with American requests the tariff increases would be delayed for a thirty-day period.

Since Ambassador Messersmith was in Washington at that time discussing with Government officials the allocation of materials for Mexican industrialization, Secretary Hull instructed Herbert S. Bursley, Chargé of the American Mission in Mexico City, to raise with the Foreign Office the possibility of permanently suspending the tax-raising decree. Bursley was directed to say, that with regard to increasing federal revenues, the United States Government would not presume to tell Mexico how this could most effectively be done, but it was hoped that a method other than raising import duties could be found. As for the Finance Minister's statement that the increases were thought to be anti-inflationary, Bursley was told to "point out discreetly" that his Government could not support this view; on the contrary, American experts believed

²⁹Foreign Relations of the United States, 1944, Chargé in Mexico (Bursley) to Secretary of State, January 15, 1944, Vol. 7, p. 1214.

any action making imported goods more expensive and less easily obtainable would contribute to the inflation. In their opinion any step, such as decreasing import taxes, that the Mexican Government could take to place more goods on the market, would absorb excessive amounts of both foreign and domestic currency. Finally, Bursley was to say that if the decree were to be postponed for ninety additional days, the United States would make every effort to assist Mexico in solving her inflationary problems.³⁰

The American Chargé relayed Hull's thoughts on the proposed tariff increases to Manuel Tello while at the same time Thomas Lockett met with Finance Minister Suárez for the same purpose. By that time the War Production Board and the Foreign Economic Administration, under pressure from President Roosevelt, had decided to grant priority ratings to orders for materials destined for projects sanctioned by the Mexican-American Commission for Economic Cooperation, and to deliver this equipment to Mexico outside the normal wartime allocation for the maintenance of her economy. (See Chapter 6) This action by the American Government meant a significant increase in United States exports to Mexico which would help to control that country's inflation. Perhaps due to this action by the Roosevelt Administration, Suárez informed Lockett that subject to the approval of President Camacho, which he was sure would be granted, the tariff decree would be suspended for an additional ninety days and would be completely forgotten if effective cooperation took place between the two countries to curb Mexican inflation.³¹

³⁰Foreign Relations of the United States, 1944, Secretary of State to Chargé in Mexico (Bursley), February 1, 1944, Vol. 7, pp. 1215-1216.

³¹Chargé in Mexico (Bursley) to Secretary of State, February 10, 1944, State Department Records, NA, RG59.

Following his return to Mexico, Ambassador Messersmith called on Foreign Minister Padilla to discuss the tariff problem. Padilla said he was very disturbed over the possible effects of the decree which had been approved and published without his knowledge. He explained that in his opinion the duty increases were not necessary and should be indefinitely suspended. The Foreign Minister stated that he had so recommended to President Camacho, who he was sure would completely cancel the decree, despite the position taken by Suárez, who opposed its total abrogation. In Messersmith's opinion if such action were taken it would be due to the "completely understanding representation" made by Padilla to the President, and he felt the United States should be equally as understanding, especially with respect to the freight car situation in Mexico.³²

Avila Camacho annulled the duty-raising decree on February 17, but Ambassador Messersmith warned State Department officials that they had not heard the last of Mexican import restrictions. Suárez had informed the Ambassador that many Mexican industries, some developed during the war years with American assistance, would soon be in need of protection against competition from abroad, and he would not sit idly by and watch these "infant industries" suffer and die without taking action to increase import taxes. Messersmith also believed that Mexico would raise her tariffs to compensate for lost revenue when the United States began to cut back on its purchases of strategic materials.³³

The American Ambassador's prediction came true, sooner than even he expected. An Executive Decree dated April 15, 1944, restricting imports

³²Foreign Relations of the United States, 1944, George S. Messersmith to Cordell Hull, February 12, 1944, Vol. 7, pp. 1218-1219.

³³George S. Messersmith to Cordell Hull, February 19, 1944, State Department Records, NA, RG59.

to Mexico during the duration of the wartime emergency, was published in the Diario Oficial on May 12, to become effective as soon as Finance Minister Suárez, on seeing the need to control the entrance of certain items, published a list of products to be restricted under the terms of the decree.³⁴ Suárez informed Thomas Lockett that restraints would be used to prevent Mexico's foreign exchange reserves from being wasted on the importation of non-essential and luxury items, and to protect recently established domestic industries should they become threatened by "ruthless" competition from abroad.³⁵

Messersmith pointed out to Secretary Hull that the decree made no mention of the Reciprocal Trade Agreement nor did it prohibit the inclusion in the lists to be promulgated by the Finance Minister of any of the products enumerated in Schedule I of the convention. He said that this action on the part of the Mexican Government seemed to conflict with the spirit of the agreement, if in fact it did not violate Article 10 which provided that prior to the imposition of any quantitative restrictions, consultation should take place between the two parties.

Contrary to normal practice the decree of April 15 had no preamble or other explanation for its issuance. Messersmith believed this omission was deliberate, either to avoid revealing the motives of the Government or to reserve the freedom to choose the most convenient motive when the time came to publish the first list of restricted products.³⁶

³⁴Foreign Relations of the United States, 1944, George S. Messersmith to Cordell Hull, May 13, 1944, Vol. 7, pp. 1221-1222.

³⁵George S. Messersmith to Cordell Hull, May 23, 1944, State Department Records, NA, RG59.

³⁶Foreign Relations of the United States, 1944, George S. Messersmith to Cordell Hull, June 12, 1944, Vol. 7, pp. 1224-1226.

Secretary Hull directed the Ambassador to make no representations to the Foreign Office until more was learned of the reasons for the publication of the decree and its effects on the commerce convention. In the opinion of State Department officials, should Mexico press the claim that the decree was a wartime or national emergency measure then she could argue that it fell within the meaning of Article 17 of the trade agreement, which provided that nothing in the understanding could be interpreted as preventing the adoption of any measure "relating to public security, or imposed for the protection of the country's essential interests in time of war or other national emergency."³⁷

In mid-June Hull directed Messersmith to inform the Mexican Government that with respect to the statement by Minister Suárez in which he said the decree was designed to conserve foreign exchange, the United States viewed exchange controls only as a temporary measure to correct inequalities in the balance of payments. Since Mexico had accumulated a large reserve of foreign exchange during the war, Hull continued, it did not appear a correction in the balance of payments was necessary, and credence was given to the position that the decree was meant to be a trade barrier and not an emergency or wartime measure. Finally, the Secretary requested the Ambassador's opinion as to whether a formal protest should be made to the Mexican Government over the issuance of the decree.³⁸

Ambassador Messersmith talked with Eduardo Suárez over the possible application by Mexico of import controls. Suárez again stated that the

³⁷ Foreign Relations of the United States, 1944, Cordell Hull to George S. Messersmith, May 29, 1944, Vol. 7, pp. 1222-1224.

³⁸ Foreign Relations of the United States, 1944, Cordell Hull to George S. Messersmith, June 12, 1944, Vol. 7, pp. 1227-1228.

restrictions, if imposed, would have as their purpose to prevent dumping of foreign goods on the Mexican market to the detriment of developing native industries and to conserve foreign exchange. Messersmith replied that he was sure such problems could be more easily solved through consultation than by the application of trade restraints. The Finance Minister said he was in complete accord with this idea and would not effectuate the April 15 decree without first informing the American Embassy so that the two Governments could explore other alternatives.³⁹

Ambassador Messersmith informed Hull that even if the decree were never placed in operation, he was sure Mexico would find it necessary to take some action to protect her "infant industries." He warned that the United States would have to grant some concessions in this regard if American programs designed to assist smaller nations to solve their industrialization problems were to be successful.⁴⁰ In reply to the Secretary's inquiry concerning a formal protest, Messersmith felt there was as yet no basis for representations to the Mexican Government since the decree was still inoperative.⁴¹

The Presidential Decree of April 15 was finally made effective by the publication of a list in the Diario Oficial of July 27, 1944, which named only one item whose importation was to be restricted. The one product, hog lard, appeared in Schedule I of the trade convention and represented one of the major concessions obtained by the United States in that agreement. Secretary of State Hull informed Ambassador Messersmith

³⁹Foreign Relations of the United States, 1944, George S. Messersmith to Cordell Hull, June 24, 1944, Vol. 7, pp. 1228-1229.

⁴⁰Ibid.

⁴¹Foreign Relations of the United States, 1944, George S. Messersmith to Cordell Hull, June 26, 1944, Vol. 7, p. 1230.

that the State Department was disturbed by the restraints applied to the entrance of hog lard into Mexico, but was primarily concerned by the "intransigent attitude" of Suárez and other officials of his Ministry toward the removal of barriers to international trade. Hull reminded Messersmith that the Mexican action was not in keeping with her position as a member of the United Nations and a signatory to the final act of the Bretton Woods Conference on monetary affairs in which the adherents undertook to "reduce obstacles to international trade and in other ways promote mutually advantageous international commercial relations."⁴²

Now that the decree had been placed in operation, Hull feared that it would be used by Suárez with little discretion as he attempted to restrict the importation of more and more products. The Secretary instructed Messersmith to relay to the Foreign Office, at his discretion, the disappointment felt by American officials over the Mexican action which was taken in spite of the efforts of the United States to deliver large quantities of scarce equipment to Mexico at low prices. The Ambassador was to warn Mexican officials that if additional items were controlled it would undoubtedly have an adverse effect on United States efforts to assist their country with her supply problems.⁴³

In late September two additional products, cattle hides and skins, were restricted under the April 15 decree without the prior consultation that Suarez had promised. Neither of these particulars were included in Schedule I of the trade pact since United States exports of these commodities were insignificant. For this reason the American Embassy in

⁴²Cordell Hull to George S. Messersmith, September 20, 1944, State Department Records, NA, RG59.

⁴³Foreign Relations of the United States, 1944, Cordell Hull to George S. Messersmith, September 20, 1944, Vol. 7, pp. 1230-1231.

Mexico City again counseled against a formal protest to the Camacho Administration.⁴⁴

Ambassador Messersmith advised the State Department in mid-November that the issue of import controls would constitute the most serious economic problem between Mexico and the United States. He said that Mexico's projected trade balance for 1944 would be unfavorable in the amount of about 218 million pesos and that exports were continuing to decrease while imports were rising rapidly. Many industries in Mexico, faced with unemployment and potential shutdown, were requesting higher tariffs which Suárez was likely to impose for the added purpose of increasing Government revenues. Messersmith said he would be less than honest if he did not express his firm conviction that the application of additional restraints was inevitable.⁴⁵

A heated debate took place in the Mexican Senate on November 25, 1944, over the issue of import controls and the expected flooding of the Mexican market with products from England, Russia and the United States after the war had ended. Senator León García from San Luis Potosí said that foreign goods were already being dumped into Mexico, and he advocated higher tariff laws to restrict such movement which seriously affected the nation's economy.⁴⁶

The National Chamber of the Manufacturing Industry also favored such action, pointing out that raw materials were only available in small

⁴⁴George S. Messersmith to Cordell Hull, October 19, 1944, State Department Records, NA, RG59.

⁴⁵Foreign Relations of the United States, 1944, George S. Messersmith to Cordell Hull, November 16, 1944, Vol. 7, pp. 1231-1234.

⁴⁶George S. Messersmith to Secretary of State, November 28, 1944, State Department Records, NA, RG59.

amounts from the United States while American products containing these same materials were being shipped to Mexico in large quantities.⁴⁷

The action anticipated by Ambassador Messersmith occurred on December 22, 1944, when President Camacho signed a decree to become operative on January 21, 1945, which increased the import duty on twenty-two items, none of which appeared in Schedule I of the trade agreement. The measure which was adopted to protect Mexican industries and augment Government revenue raised the tariff on the affected products as much as 900 percent, with most increases being between 66 and 166 percent.⁴⁸

The second lend-lease agreement signed by Mexico and the United States on March 18, 1943, provided that the two parties would take action toward "the elimination of all forms of discriminatory treatment in international commerce and to the reduction of tariffs and other trade barriers."⁴⁹ It was agreed that discussions would take place at an early date to determine the most practical way of implementing these objectives. On learning of the most recent tariff hikes, Secretary of State Edward R. Stettinius, Jr., who on November 30, 1944, replaced Cordell Hull due to the latter's poor health, requested Ambassador Messersmith, at his discretion, to inquire whether the Mexican Government would be willing to hold the aforementioned conversations and to relay the strong desire of the State Department that the latest restriction be delayed prior to

⁴⁷George S. Messersmith to Secretary of State, November 28, 1944, State Department Records, NA, RG59.

⁴⁸George S. Messersmith to Secretary of State, January 6, 1945, State Department Records, NA, RG59.

⁴⁹Foreign Relations of the United States, 1943, "Agreement Between the United States and Mexico Regarding Principles Applying to Mutual Aid in the Prosecution of the War," March 18, 1943, Vol. 6, p. 400.

the desired consultation.⁵⁰

In replying to the Secretary's request Messersmith stated that he, together with Herbert Bursley and Thomas Lockett, had decided it would be unwise to petition the Mexican Government to postpone the announced duty increases for the following reasons: 1) Suárez had become very bitter when the decree of December 18, 1943, which would have raised the tariff on about 600 products, was completely abrogated by President Camacho following several requests by the United States that this action be taken. An attempt to bring about a similar cancellation would produce a severe crisis within the Mexican Government. Should the President indefinitely suspend Suárez' most recent plan the Finance Minister would undoubtedly resign; 2) the Embassy had determined that the latest increases did not violate the terms of the Reciprocal Trade Agreement since none of the affected products appeared in Schedule I. The action was taken to protect Mexico's "infant industries" and was justified, if any such action can ever be justified. The Mexican public was in favor of restricting imports making it impossible for Avila Camacho and Padilla to support the United States position, particularly in a pre-election year; and 3) the United States would be put in a delicate position since Mexico was well aware that many American tariffs were designed to protect certain industries against foreign competition.⁵¹

With regard to the requested discussions on trade barriers, Messersmith reported that Embassy personnel considered it particularly undesirable to raise this issue only a few weeks before the Inter-American

⁵⁰ Foreign Relations of the United States, 1945, Secretary of State to George S. Messersmith, January 12, 1945, Vol. 9, pp. 1173-1174.

⁵¹ Foreign Relations of the United States, 1945, George S. Messersmith to Cordell Hull, February 2, 1945, Vol. 9, pp. 1174-1178.

Conference on the Problems of War and Peace was to convene in Mexico City to examine similar economic issues, as well as the whole range of problems affecting relations between the American Republics.⁵²

During the period from March to November, 1945, the import tariff on more than fifty additional products was substantially raised by the Mexican Finance Ministry in accordance with the terms of the Presidential Decree of April 15, 1944. Of these items only one, soft plywood, appeared in Schedule I of the trade agreement. In addition, on September 11, 1945, it was announced that the importation of numerous iron, steel and rubber products, as well as rayon fiber, had been placed on a control list and could enter Mexico only upon receipt of a permit from the Minister of Finance. None of these items appeared in the trade agreement. The State Department refrained from lodging a formal protest with the Mexican Government, but Ambassador Messersmith expressed to the Foreign Office the deep concern of the United States Government with regard to the "continuing development of the apparent trend towards the creation of additional barriers to trade."⁵³ The Ambassador's words apparently had little effect on Mexican officials who continued to impose obstacles to the free flow of trade between the two countries, and who in mid-1945 requested that a conference be held to consider a revision to the reciprocal trade pact. The United States informed Mexico that it was prepared to take part in discussions for that purpose, but the latter appeared to lose interest in such a project and did not mention the subject again until it was raised by Messersmith in December.

⁵²Foreign Relations of the United States, 1945, George S. Messersmith to Cordell Hull, February 2, 1945, Vol. 9, pp. 1174-1178.

⁵³Memorandum, United States Embassy to Mexican Foreign Office, July 24, 1945, State Department Records, NA, RG59.

As Mexico increased her import duties, the State Department received many complaints and inquiries from American exporters who were distressed at the steps taken by the Camacho Administration. In each instance the Department replied that the Mexican Government considered the basic decree to be an emergency measure adopted to protect the nation's vital interests, and that such action was not precluded by Article 17 of the trade agreement which stipulated that nothing in the convention could be construed as prohibiting the enforcement of any program "imposed for the protection of the country's essential interests in the time of war or other national emergency."⁵⁴ The Department went on to say that there was no legal basis under which the American Government could request Mexico to reconsider the restrictions as they pertained to items not included in the trade convention, and that the Article 17 provision seemed to apply in the case of the two Schedule I products, lard and soft plywood. The State Department concluded that if a restriction designed to protect domestic industries rather than to serve as an emergency wartime measure was applied to items listed in the commercial accord then a violation of the agreement would occur.⁵⁵ Although many American exporters believed the decree was designed to protect Mexico's "infant industries," as Finance Minister Suárez himself indicated, they were powerless to take any action without the active support of the United States Government.

The Mexican Government, issued a circular instruction on December 5, 1945, which added seventy-four items to the import restriction list, sixteen of which appeared in Schedule I of the trade convention. The

⁵⁴Division of Commercial Policy to Newport Rolling Mill Company, October 18, 1945, State Department Records, NA, RG59.

⁵⁵Ibid.

import tax on these products was not increased, but their importation was subject to the issuance of permits by the Finance Ministry, which was in effect given the power to quantitatively control their entrance into Mexico. The following day Ambassador Messersmith went to the Foreign Office where he spoke with Manuel Tello who agreed that the circular, issued without the knowledge or approval of the Foreign Ministry, violated the Reciprocal Trade Agreement in sixteen instances.⁵⁶

Messersmith returned to the Foreign Office on December 11, for further discussions with Finance Minister Suárez and Foreign Minister Castillo Nájera concerning the effects of the circular instruction on commerce between the United States and Mexico. Both of the Mexican officials argued that the circular itself did not constitute a violation of the commercial accord, which would take place only when the entrance into Mexico of one of the sixteen products from the trade agreement was quantitatively restricted. They promised Messersmith that import licenses covering the restricted items would be readily issued for goods originating in the United States and assured him that if a particular Mexican industry became threatened by American imports, quantitative controls would be applied only after consultation with United States officials had taken place and all other provisions of the commerce understanding had been meticulously observed. Mexico, they stated, had no intention of violating the terms of the trade pact. The Ambassador said that even if the circular did not violate the agreement it would in his judgment be impossible to administer the controls so as not to infringe the accord. The Mexican Ministers reiterated that the understanding would not be

⁵⁶Foreign Relations of the United States, 1945, George S. Messersmith to Secretary of State, December 13, 1945, Vol. 9, pp. 1178-1187.

violated and that American exporters would be satisfied with the manner in which permits were issued.⁵⁷

Ambassador Messersmith inquired whether Mexico was still interested in carrying out the trade agreement revision she had proposed during the previous summer. Castillo Nájera replied that his Government was very much in favor of such a step and would address a letter to the American Embassy to that effect within the next few days. Messersmith stressed to the Foreign Minister the reciprocal nature of the understanding and cautioned the Mexicans against formulating a huge list of recommended revisions. He said that many United States firms were also pressing for changes to the agreement, but they were being held in check by the American Government. The Ministers assured Messersmith that Mexico sought revisions for only a few products, most of which had already appeared in the circular instruction.⁵⁸

Following this meeting with Suárez and Castillo Nájera, Messersmith informed the State Department there was little doubt that Mexico would make every effort to grant sufficient protection to allow her industries to develop and that he was in accord with this policy which the United States had always followed and which could not be denied to the Mexicans. He said that Mexico was still at a trade disadvantage vis-à-vis the United States since American tariffs were still in many instances higher than Mexican duties and the former, for the most part, were ad valorem (calculated as a percentage of the value) while the latter were mainly

⁵⁷Foreign Relations of the United States, 1945, George S. Messersmith to Secretary of State, December 13, 1945, Vol. 9, pp. 1178-1187.

⁵⁸Ibid.

specific (so much per pound, per yard, etc.)⁵⁹

Ambassador Messersmith notified the State Department in January, 1946, that import licenses for those goods on the restricted list were not being granted as readily as Mexican officials had promised they would be and that the system as then administered was in effect limiting the entrance into Mexico of American products, several of which appeared on Schedule I of the trade agreement. In the Ambassador's opinion the commercial understanding had already been violated.⁶⁰

During the post-war years, Mexico experienced a very unfavorable imbalance in her trade with the United States which severely drained her dollar reserves accumulated during the war and produced strong demands for more tariff protection to allow "infant industries" to develop and further industrial development to take place. In 1946 and 1947 Mexican import duties very substantially increased, and after consulting with American officials measures were taken to restrict the importation of "nonessential" items, many of which were covered by the commercial accord. In April, 1948, negotiations which Mexico had succeeded in postponing since 1945 were finally undertaken to revise the Reciprocal Trade Agreement. After many months of discussions the representatives of the two countries decided that a mutually acceptable revision could not be achieved, and they recommended to their respective Governments that the accord be terminated. The State Department announced on June 23, 1950, that notes had been exchanged with the Mexican Government which would render the trade agreement inoperative after December 31, 1950. Thereafter,

⁵⁹Foreign Relations of the United States, 1945, George S. Messersmith to Secretary of State, December 13, 1945, Vol. 9, pp. 1178-1187.

⁶⁰Foreign Relations of the United States, 1946, George S. Messersmith to Secretary of State, January 18, 1946, Vol. 11, pp. 1039-1041.

goods going from either country to the other were treated in the same manner as similar products from third countries under the most-favored-nation principle.⁶¹

Although the termination of the commercial agreement indicated a strain in the relationship between Mexico and the United States, it did not cause a diminution in trade between the two countries. In fact, in 1951 both American exports to and imports from Mexico increased. This can at least partially be explained by the fact that the United States had trade agreements with more than twenty other nations, and since Mexico was afforded most-favored-nation treatment after 1950, the renunciation of the commerce pact did not affect Mexican-United States commercial relations to the degree that might have been anticipated. Table 10-1 shows the value of the trade between the two countries for several years before and after the termination of the agreement.

TABLE 10-1

UNITED STATES TRADE WITH MEXICO⁶²

1948-1953
(thousands of dollars)

	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>
U. S. Exports	521,506	468,195	526,242	730,172	683,237	662,764
U. S. Imports	246,207	243,499	315,412	325,959	410,012	354,523

As Ambassador Messersmith had predicted in November, 1944, Mexico's attempt to protect her developing industries, and the effects this

⁶¹U. S., Department of State Bulletin, Vol. 23, No. 579, (Washington, August 7, 1950), p. 215.

⁶²U. S., Bureau of the Census, Foreign Commerce and Navigation of the United States, 1964 (Washington: United States Government Printing Office, 1968), pp. 60, 68.

attempt had on the operation of the Reciprocal Trade Agreement, produced one of the most serious problems in the relationship between the United States and Mexico during the mid and late 1940's. The commerce convention functioned well for only about one year before tariff increases and other proposed restrictions made its life expectancy uncertain. The action by the two Governments in renouncing the agreement provided the climax to perhaps the most unsuccessful chapter in the story of United States-Mexican cooperation during World War II and the immediate post-war period.

CHAPTER XI

CONTROLLING AXIS COMMERCIAL ACTIVITIES

While the German war machine was overrunning several European countries almost at will, Axis economic agents were active in Latin America and other areas of the world. Their aim was to establish large business firms outside the Fatherland which could be used to undermine the economies of the host countries and also serve as centers for Nazi propaganda and espionage. So great were their initial successes that worried United States officials felt compelled, in the interest of hemispheric defense, to control this dangerous economic penetration in Latin America, and ultimately in several other regions of the globe.

The State Department's Division of World Trade Intelligence, which was established in July, 1941, and charged with investigating American trade with aliens whose interests were considered inimical to the United States, submitted the following analysis of Axis foreign economic policy in the late 1930's and early 1940's:

From its inception the Nazi regime in Germany waged undeclared and total economic warfare throughout the world. Together with their Fascist and Japanese partners, they carried out an economic penetration the ultimate aim of which was not mutually profitable trade but the subjugation of the national economy of entire countries to Axis purposes. The thoroughness of the Nazis in turning their foreign trade into a weapon of war was typical of their genius for prostituting education, religion, literature, art, the press, and the radio to their self-aggrandizing aims.¹

¹U. S., Department of State Bulletin, Vol. 10, No. 254, (Washington, May 6, 1944), p. 405.

Although it was not articulated in this precise form until 1944, the same conclusion about German, Italian and Japanese economic activities in many areas of the world was reached by most agencies of the American Government before the United States became a formal participant in World War II. This calculation as to the ultimate goal of Axis overseas commercial firms prompted President Roosevelt on July 17, 1941, to issue the Proclaimed List of Certain Blocked Nationals, or the Black List as it was more commonly called, which had as its chief purpose to deny Inter-American trade to persons who had "hitherto been using large profits to finance subversive activities, aimed at undermining the peace and independence of the Western Hemisphere."²

The presidential action had the effect of strictly prohibiting the exportation to persons or firms appearing on the list of any product included in the Export Control Act of July 2, 1940, and provided that those named on the list would be treated as though they were German or Italian nationals within the meaning of Executive Order 8389 of June 14, 1941, which froze the assets of Axis citizens in the United States.³

The initial list which was the result of extensive investigation by various federal agencies contained the names of more than 1800 persons and commercial firms in Latin America, and provided that anyone serving as a cloak or front for those enumerated would himself be added to the list. The State Department announced that United States trade which had previously flowed to those included on the Proclaimed List would be rechanneled to those citizens of the American Republics who supported

²State Department Press Release, July 29, 1941, Department of State Records, National Archives, Record Group 59. Hereafter referred to as State Department Records, NA, RG59.

³State Department Press Release No. 347, July 17, 1941, State Department Records, NA, RG59.

the contribution their respective countries were making to the cause of hemispheric solidarity. Supplements to the list were issued every three weeks and complete revisions every three or four months by an inter-departmental committee under the direction of Assistant Secretary of State Dean Acheson and consisting of representatives from the Departments of State, Treasury, Justice, and Commerce, the Export Control Administration and the Office of the Coordinator of Inter-American Affairs. The State Department's Division of World Trade Intelligence was charged with gathering and analyzing data on firms and individuals in Latin America suspected of action inimical to the security of the Hemisphere and was directed to advise the interdepartmental committee of its findings.⁴

The entire spectrum of American economic warfare sanctions was brought to bear against any firm whose name appeared on the list. The Treasury Department froze all its assets in the United States and prevented the movement of its funds in any of the country's 15,000 banks. The Foreign Economic Administration refused to issue export permits covering American goods destined for the proclaimed enterprise, and customs officials stopped the movement of any shipments for the listed firms that were still within United States jurisdiction. In addition, the Office of Censorship monitored all communications in which the particular company was mentioned.⁵

Of the 1800 persons and commercial establishments appearing on the original list, 181 were domiciled in Mexico. President Roosevelt's proclamation brought a loud protest in Mexico City, not only from those

⁴Department of State to American Diplomatic and Consular Offices in the American Republics, August 28, 1941, State Department Records, NA, RG59.

⁵State Department Press Release No. 155, May 2, 1944, State Department Records, NA, RG59.

appearing on the list, but from many American companies located in the Mexican capital which had substantial business dealings with proclaimed firms. The Americans protested that the President's order was detrimental to their interests since sums of money already due them would be lost if they suddenly suspended all commercial relations with the listed companies. This argument fell on deaf ears in Washington since the American firms had been warned in advance of the action contemplated by the United States Government, in order to give them the opportunity to terminate business arrangements with pro-Axis companies under favorable circumstances prior to the publication of the Proclaimed List.⁶

The Mexican Government unhesitatingly supported Roosevelt's initiative. Foreign Minister Padilla issued a statement, given wide press coverage in Mexico City, in which he said the Black List was an indispensable defensive measure taken by the United States which had to insure that her strategic goods were not reexported to those nations against which she had imposed severe commercial restrictions.⁷

Two weeks after the initial list of proclaimed nations had been made public, Baron Rüdrt von Collemberg, German Minister in Mexico, presented a memorandum to Ezequiel Padilla in which he requested the Foreign Office to lodge a formal protest against the action taken by the American Government since many of the Mexican firms on the list were owned by German nationals who had resided in Mexico for many years. In his note the German diplomat cautioned that a "resigned acceptance to the measure in question on the part of the Government of Mexico could not but influence the attitude of the German Government on the resumption

⁶Military Intelligence Report by United States Military Attaché (McCoy), July 28, 1941, State Department Records, NA, RG59.

⁷Excelsior, July 23, 1941.

of commercial relations with Mexico after the war."⁸

This action by the German representative, which Padilla considered an unsolicited interference in the internal affairs of his country and an attempt to derogate from the sovereignty of Mexico, so incensed the Mexican Foreign Minister that he unequivocally rejected Germany's request, and her warning, on the very day he received von Collemberg's memorandum. The Foreign Office considered that the reference to post-war trade revealed "unacceptable pressure openly in conflict with the spirit and respect guiding Mexican foreign relations." Padilla assured the German Minister that Mexico would take whatever action she deemed prudent "without the necessity of receiving or carrying out insinuations from other authorities sent through any of the diplomatic missions accredited in this capital."⁹

Mexican Deputies and Senators unreservedly supported the manner in which the Camacho Administration replied to the German correspondence. The legislators thought the note of the Mexican Government was "timely and honorable" while that of the German Government was felt to be "not only disrespectful but insolent as well." One Mexican Senator favored declaring the German Minister persona non grata because of "the uncivil phrases and the blustering tone employed by him in this official communication" to the Ministry of Foreign Affairs.¹⁰

In mid-August the Foreign Office informed the American Embassy in Mexico City that the Camacho Administration intended to cooperate with

⁸F. H. Rüdtt von Collemberg to Ezequiel Padilla, August 1, 1941, State Department Records, NA, RG59.

⁹Josephus Daniels to Cordell Hull, August 1, 1941, State Department Records, NA, RG59.

¹⁰Excelsior, August 2, 1941.

the United States to the greatest extent possible in determining those companies and individuals who should be included on the Proclaimed List, and requested that no additional Mexican residents be added to the list until the Mexican Government had an opportunity in each case to conduct its own investigation and compare its findings with those of American agencies. Assistant Secretary of State Acheson replied that discussions with other Governments prior to making additions or deletions to the list would cause the list to lose its character as an instrument of the United States Government. He added that prior consultation would take place only in the case of large firms whose importance to the economic well-being of the country in question was readily apparent.¹¹

During the late summer and early fall of 1941 the United States took several steps to enhance the effectiveness of the Proclaimed List. American Missions abroad were directed to maintain close liaison with their British counterparts and to exchange information with them on companies thought to be directly or indirectly working for Axis Governments.¹² The Treasury Department ordered United States banks to direct their branches throughout Latin America to cease extending credit or rendering any services to individuals or business firms appearing on the list.¹³ In October the effects of the Black List were extended to include areas outside the Americas. At its height the list contained over 15,000 persons and establishments in Latin America, the five European countries

¹¹Assistant Secretary of State (Acheson) to Josephus Daniels, August 13, 1941, State Department Records, NA, RG59.

¹²Circular Telegram, Secretary of State to Chiefs of Mission in the Other American Republics, August 8, 1941, State Department Records, NA, RG59.

¹³Secretary of State to all Diplomatic and Consular Offices in the American Republics, September 22, 1941, State Department Records, NA, RG59.

that in name remained neutral (Spain, Portugal, Switzerland, Sweden and Liechtenstein) and their possessions in Africa and the Middle East, and Morocco, Turkey, Iran and Iraq.¹⁴

Ambassador Daniels informed the State Department in November, 1941, that many American companies were bound by previous contracts to deliver certain goods to firms domiciled in Mexico which had been proclaimed by the United States Government, and he inquired as to what action these American businesses should take in the event of breach of contract litigation in Mexican courts. The Department replied that United States concerns, even when under contract, should not under any circumstances deliver American products to firms appearing on the Proclaimed List, and since the United States Government forbade such delivery American companies could plead force majeure should any court action arise.¹⁵ Foreign Minister Padilla notified the United States Embassy that where German, Italian and Japanese nationals were involved American concerns would not be found guilty of breach of contract in Mexican courts, where all such cases would be considered as non fulfillment due to force majeure.¹⁶

Between the initial publication of the Proclaimed List and the Mexican declaration of war in May, 1942, United States officials were generally dissatisfied with the efforts made by the Camacho Government to halt Axis financial and commercial activities in Mexico. Under Secretary Welles informed George Messersmith, the recently appointed American Ambassador, that the State Department was particularly concerned by the

¹⁴U. S., Department of State Bulletin Vol. 10, No. 254, (Washington, May 6, 1944), pp. 405-411.

¹⁵Cordell Hull to Josephus Daniels, November 12, 1941, State Department Records, NA, RG59.

¹⁶American Chargé in Mexico (McGurk) to Secretary of State, December 17, 1941, State Department Records, NA, RG59.

narrow range of transactions and limited number of individuals affected by Mexican controls. The Foreign Office realized the inadequacies of the restraints applied by the Mexican Government, but prior to the formal declaration of war, attempts by the Foreign Minister to tighten the restrictions were opposed by other federal agencies. As soon as a state of belligerency existed between Mexico and the Axis powers, the former became more interested in curbing enemy commercial transactions and readily accepted an offer by the United States to send State and Treasury Department officials to Mexico to assist in formulating a more effective control system.¹⁷

Less than two weeks after the American advisers arrived in Mexico City, the "Law Governing Enemy Trade and Property" was published in the June 13, 1942 issue of the Diario Oficial. This far-reaching legislation prohibited any trade whatever between persons domiciled or resident in Mexico and the nationals of any country at war with the United Mexican States, and it empowered President Camacho to seize property belonging or thought to belong to an enemy nation or its nationals. Any realty so seized would be operated by Government-appointed custodians unless its sale to unimpeachable Mexican citizens was deemed advisable.¹⁸

Together with the new law the Camacho Administration also made public a list of firms subject to the decree which contained practically all of the important Mexican concerns included in the American Proclaimed List. At the start of business on the day the list was published, temporary Government agents assumed full control of the properties in question pending the formulation of a permanent custodian arrangement,

¹⁷George S. Messersmith to Cordell Hull, June 2, 1942, State Department Records, NA, RG59.

¹⁸Diario Oficial, June 13, 1942.

and local funds of all seized companies were frozen. As soon as the pro-Axis firms were under Government control President Camacho personally began to interview prominent Mexicans who had tentatively been selected to intervene in the management of the seized properties until arrangements were made for their final disposition.¹⁹

The June 13 law also provided for the formation of a Committee of Administration and Vigilance consisting of Luis Cabrera, a well-known Mexican lawyer, and Eduardo Villaseñor, president of the Bank of Mexico, whose function it was to insure that the legislation was effectively implemented. So elated were United States officials at the swiftness and thoroughness of the Mexican action that Secretary of State Hull directed Ambassador Messersmith to express to the Camacho Administration the gratitude of the American Government for Mexico's "cooperative spirit in the preparation of a decree of such broad scope and comprehensive provisions."²⁰

In late July Under Secretary Torres Bodet met with Ambassador Messersmith to informally propose that some method be devised for removing from the United States Proclaimed List those pro-Axis firms which had been intervened by the Mexican Government. Torres Bodet said that many of these firms were important to his country's economy and were suffering because they could not procure merchandise from American exporters since they were still on the list. He said that Mexican intervention had been accomplished in a "satisfactory and categoric way" which would unquestionably prevent the companies from carrying out any transactions favorable

¹⁹George S. Messersmith to Cordell Hull, June 13, 1942, State Department Records, NA, RG59.

²⁰Cordell Hull to George S. Messersmith, June 8, 1942, State Department Records, NA, RG59.

to the Axis Governments, and that with regard to these firms, collaboration with the United States was no longer an issue, but rather the issue was one of Mexican sovereignty and her ability to internally manage her own affairs. In the opinion of the Foreign Office a decision by the Roosevelt Administration to prevent American exporters from trading with companies intervened by the Mexican Government would indicate a lack of faith in Mexico's ability to enforce her own domestic legislation. In addition, Torres Bodet requested that small firms, which had been included on the Proclaimed List because they had commercial dealings with some of the large intervened companies, also be removed from the list since the dangerous concerns they had been trading with were under the control of the Mexican Government.²¹

Many State Department officials felt the Camacho Administration lacked either the ability or the will to effectively supervise and restrict the operations of the intervened companies. Ambassador Messersmith took exactly the opposite position. He reported to Assistant Secretary of State Acheson that in the six months he had been in Mexico he had not approached the Foreign Office on a single issue without receiving the fullest understanding and collaboration from the Mexican Government. He said that until recently Mexico had been considered an uncooperative neutral, but in the last year she had developed into an active ally; however, he warned that if the United States failed to exhibit confidence in her ability to manage her own affairs and refused to remove seized companies from the Black List this collaborative friend could become a

²¹George S. Messersmith to Cordell Hull, July 22, 1942, State Department Records, NA, RG59.

listless observer.²²

On paper it appeared that the Ambassador's views had been accepted by the State Department which directed Messersmith to inform the Foreign Office that as soon as Mexican intervention in a particular firm had been completed, the United States would remove that company from the Proclaimed List. Under instruction from the Department he delivered a memorandum to the Ministry of Foreign Affairs on August 10, 1942, indicating the belief of the American Government that concerns located in Mexico and included on the list should be separated into three distinct categories: 1) the largest and most important firms owned or managed by Axis nationals whose operation had an important impact on the Mexican economy. When a "permanent fiduciary administration" had been placed in control of these businesses, and all personnel considered to be a threat to hemispheric security had been removed, the United States would delete these companies from the Proclaimed List; 2) those concerns owned by Mexican citizens which had been added to the list because they had traded with category one firms. These companies would be removed as soon as their former trading partners had been erased from category one; and 3) companies which had no real effect on the Mexican economy, or which had been acting as cloaks or fronts for larger concerns, or whose owners had shown sympathy for the Axis cause. Category three firms would not normally be seized, but the Mexican Government was expected to prevent its nationals from entering into any business transactions involving these concerns. This class also included the names of prominent individuals who had exhibited pro-Axis tendencies, as well as the names of persons eliminated from

²²George S. Messersmith to Assistant Secretary of State (Acheson), August 7, 1942, State Department Records, NA, RG59.

category one firms.²³

Included with Messersmith's memorandum were three lists which divided companies and individuals into the aforementioned classifications. The lists contained 57 category one firms, 120 from category two and 346 Japanese individuals, 121 German individuals and 119 firms in category three.²⁴ These lists were not complete, and additional names were continually added by the two Governments.

Both Foreign Minister Padilla and the Committee of Administration and Vigilance considered the American memorandum to be completely acceptable. Although further collaboration was not specifically called for in Messersmith's communication, Padilla promised that the Foreign Office would cooperate to the fullest extent possible with the United States Embassy in gathering and analyzing data on suspected pro-Axis firms in Mexico. The Committee noted that all but two or three companies listed in category one had already been intervened and indicated that the remaining few would be seized within the next few days. In addition, the Committee was of the opinion that several of the concerns listed in category three would also require intervention, and its members declared their intention to act accordingly.²⁵ Through both the Foreign Minister and the Vigilance Committee the Mexican Government expressed its appreciation for this vote of confidence on the part of the United States.

American officials were highly pleased that the terms of the memorandum were agreeable to the Camacho Government, and they were gratified

²³Memorandum of Understanding, Ambassador Messersmith to Mexican Foreign Office, August 10, 1942, State Department Records, NA, RG59.

²⁴Ibid.

²⁵George S. Messersmith to Cordell Hull, August 24, 1942, State Department Records, NA, RG59.

to receive the promise of continued collaboration from the Foreign Office in removing pro-Axis elements from Mexican commercial enterprises. Secretary Hull informed Ambassador Messersmith that in his opinion the United States would have accomplished a great deal if she could get other countries to offer as much internal cooperation in restricting Axis business transactions as had been received from Mexico.²⁶

By the beginning of October, 1942, less than four months after Mexican legislation had given the President the power to seize enemy-owned or controlled properties, all category one firms and three concerns listed in category two had been intervened by the Mexican Government. Moreover, 101 companies not appearing on any United States listing had also been seized. Ambassador Messersmith reported to the State Department that the businesses taken over by the Camacho Administration were functioning normally except that in each case the interventor assumed complete control over all income and bank deposits, and supervised all sales and purchases, to insure that neither funds nor goods were utilized to benefit the Axis cause.²⁷ At this time no formal request was made to the American Government for removal of these firms from the Proclaimed List since not all personnel of enemy origin had been discharged.

The United States and Mexico continued to cooperate on all matters relative to the Black List throughout the remainder of 1942 and early 1943. By the beginning of February, 1943, the Foreign Office formally recommended that several of the intervened firms be deleted from the American Proclaimed List to permit them to again take part in hemispheric

²⁶Cordell Hull to George S. Messersmith, September 14, 1942, State Department Records, NA, RG59.

²⁷George S. Messersmith to Cordell Hull, October 2, 1942, State Department Records, NA, RG59.

trade. Manuel Tello said that a committee consisting of Mexican Cabinet Ministers had studied the operations of the seized companies and was satisfied that all undesirable elements had been removed, with the exception of a few highly skilled technicians whose talents were necessary to keep several of the largest and most important businesses functioning.²⁸

Although Mexico and the United States had agreed in principle the previous August that concerns seized by the Mexican Government would eventually be removed from the Proclaimed List, no procedure had been formulated to decide when specific firms would be deleted, and as of the date of Mexico's recommendation, none of the intervened companies had been taken off the list. This situation placed both Governments in an unsatisfactory position and derogated from the effectiveness of the Black List in Mexico.

The Camacho Administration took the view that the intervened companies were under the full jurisdiction and control of the Federal Government; therefore, no obstacle should be placed in the path of any transaction performed by these concerns within Mexican territory. A real problem arose when these firms, which were still on the United States list, sent out purchase orders signed by the Government interventor to non-proclaimed businesses. The non-listed companies faced a real dilemma. Either they could supply the requested goods at the risk of being added to the Proclaimed List for having traded with a listed concern, or they could refuse to provide the requested items on the grounds that the ordering business was on the list, and thereby run the risk of Government sanctions for failure to sell to a federally controlled firm. The predicament became even more complicated when the non-listed concerns

²⁸Foreign Relations of the United States, 1943, Chargé in Mexico (Bursley) to Secretary of State, February 8, 1943, Vol. 6, pp. 480-482.

would ask the American Embassy if they should fill the orders of the intervened companies.²⁹

Ambassador Messersmith reported to the State Department that the Mexican Government considered the situation in which it found itself in this regard so basically unsatisfactory that it was possible a complete breakdown of collaboration in Proclaimed List matters and a serious diplomatic controversy would result if the United States was not willing to agree to the immediate implementation of some procedure whereby intervened firms could be deleted from the list. The Department sent Francis H. Russell, Chief of the Division of World Trade Intelligence, to Mexico in late March, 1943, to negotiate an acceptable arrangement with the Foreign Office.

Prior to reaching an understanding in this delicate area, the United States inquired as to any legal rights to the seized properties retained by the former Axis owners under Mexican law. In posing this question the Roosevelt Administration expressed its concern that the firms in question might be returned to their former owners either during the war or after its conclusion. The Foreign Office replied in unequivocal terms that title to the seized properties rested entirely with the Mexican Government and that the ex-proprietors had no right to nor connection with the intervened companies. The original owners were being paid a very small amount for subsistence each month by the Federal Government, but such payments would be discontinued if the beneficiaries did not comport themselves in a proper manner.³⁰

²⁹Foreign Relations of the United States, 1943, Chargé in Mexico (Bursley) to Secretary of State, February 8, 1943, Vol. 6, pp. 480-482.

³⁰George S. Messersmith to Cordell Hull, March 27, 1943, State Department Records, NA, RG59.

Toward the end of April, 1943, a consultative arrangement was finally agreed to whereby representatives of both Governments would meet each week to consider additions and deletions to the Proclaimed List. At these weekly discussions attended by the Economic Counselor and the Commercial Attaché from the United States Embassy, and the Secretary of the Junta de Administración y Vigilancia and an official from the Foreign Office, recommendations were formulated which were forwarded to the State Department and to the American interdepartmental committee for final action.³¹

After the first consultative meeting on the Proclaimed List, Ambassador Messersmith informed the State Department that the American representatives were highly impressed with the "earnestness and the thoroughness" with which the Junta Administrativa had "cleaned up" the intervened companies. He said that in those instances where deletion from the list was recommended the Embassy was completely sure the "purposes and intent" of the list had been fulfilled, and that failure to remove the suggested firms would only prevent further collaboration and cause ill will to permeate the relationship between Mexico and the United States.³²

Two months after the consultative procedure had been established more than 100 Mexican firms, among them large chemical laboratories and textile factories, had been removed from the United States Proclaimed List, leaving less than ten intervened concerns from category one on the American schedule. About 600 small businesses managed by Axis nationals

³¹George S. Messersmith to Cordell Hull, April 26, 1943, State Department Records, NA, RG59.

³²Foreign Relations of the United States, 1943, George S. Messersmith to Cordell Hull, April 29, 1943, Vol. 6, pp. 491-495.

were still considered as enemy companies and remained on the list although any of their assets thought to be of value to the Mexican Government had been seized by the Vigilance Committee. At this same time the American list of proclaimed businesses and individuals contained 1500 entries from Argentina, about 1,000 domiciled in Brazil, almost 1400 in Chile, a similar number in Portugal, and about 1,000 in Spain.³³

The United States interdepartmental committee and the State Department were concerned that the Mexican firms deleted from the list would engage in business transactions with companies still proclaimed. The committee at its June, 1943 meeting recommended that the American Embassy obtain a formal undertaking or commitment from the concerns and individuals to be removed from the list to the effect that they would have no business dealings whatever with persons or firms remaining on the Proclaimed List. Ambassador Messersmith was strongly opposed to this proposal since it would in reality duplicate existing Mexican legislation, and would place the United States in the embarrassing position of requesting the Mexican Government to require its citizens to promise in writing to obey domestic laws. In support of his position, Messersmith forwarded to the Department a copy of the form letter given by the interventor to the manager of each concern removed from the list. "You are requested," the letter stated, "to give the necessary instructions and to maintain a special vigilance to see to it that in the future the company does not carry out a single business transaction with houses which still remain on the aforementioned Proclaimed List, even though they may be intervened....You are to see that the Junta's recommendations are followed efficiently and strictly."³⁴

³³Excelsior, July 2, 1943.

³⁴George S. Messersmith to Cordell Hull, July 8, 1943, State Department Records, NA, RG59.

The assurances given by the Ambassador that Mexico was determined to stop any unlawful transactions seemed to convince the skeptical Washington officials who made no further mention of a formal undertaking with respect to Mexico.

The Mexican press published portions of the Administration and Vigilance Committee's report for the period from June 15, 1942 to June 15, 1943. During this time the Government seized 258 firms whose total assets amounted to 106,150,681.83 pesos or about \$24 million. Included in the businesses intervened were 70 coffee plantations, 4 other agricultural plantations, 25 hardware and similar concerns, 11 chemical and pharmaceutical companies, 16 industrial firms, 46 commercial enterprises, 40 credit and investment houses and 46 miscellaneous type companies. In only 14 cases was intervention lifted due to a lack of substantial evidence indicating pro-Axis activities, and it was necessary to completely close intervened firms in only three instances involving concerns sustained entirely by imports from Germany.³⁵

Throughout the remainder of 1943 the Camacho Government continued to move against those companies and individuals suspected of harboring pro-Axis sympathies. In August it was announced that all Mexican insurance companies that had insured Italian or German persons or firms would be seized by federal authorities.³⁶

In late summer of 1943 it came to the State Department's attention that some United States federal agencies were refusing to act on requests for export licenses for goods to be delivered to businesses recently deleted from the Proclaimed List. The Department advised these agencies

³⁵Excelsior, July 21, 1943.

³⁶Excelsior, August 13, 1943.

that it considered the removed concerns to be satisfactory commercial contacts for American firms and warned that further sanctions against the deleted companies would not be consistent with the implications of deletion and would hinder United States efforts to convince several other Latin American countries to adopt local controls similar to those employed by Mexico.³⁷

During 1944 and 1945 Mexico accounted for fewer additions to the United States Proclaimed List than any other Latin American country. In fact, in the great majority of supplements to the list issued by the American interdepartmental committee, Mexico was not even mentioned in the additions section which was dominated by Argentina, Chile and Uruguay. The State Department reported in 1945 that excluding Argentina, satisfactory cooperation had been achieved in most of the American Republics on Black List matters. Exceptions included Paraguay, Bolivia and Uruguay which had not passed the necessary laws to combat pro-Axis influences, and Colombia which had not taken effective action under its adopted legislation.³⁸

Table 11-1 shows for selected Latin American countries, the maximum number of their firms and individuals listed on the Proclaimed List as of June 19, 1942, the number listed as of October 1, 1945, and the number of hard core pro-Axis sympathizers on the list as of the latter date. It can be seen that in these categories Mexico fared better than most. The 455 names listed for Mexico as of October 1 included 350 Japanese nationals who had not at that time been reviewed for removal.

³⁷ State Department's Foreign Funds Control Division to Office of Economic Warfare, August 27, 1943, State Department Records, NA, RG59.

³⁸ Memorandum by Division of World Trade Intelligence (Oliver), February 5, 1945, State Department Records, NA, RG59.

Later in the month 329 of the Japanese were deleted and 21 retained as hard-core offenders.³⁹

TABLE 11-1

PROCLAIMED LIST STATISTICS⁴⁰

<u>Country</u>	<u>Max. Number on List as of June 19, 1942</u>	<u>Number as of Oct. 1, 1945</u>	<u>Hard-core as of Oct. 1, 1945</u>
Argentina	1,723	1,614	223
Brazil	1,002	685	74
Chile	1,562	535	75
Colombia	1,160	883	64
Dominican Republic	38	2	0
Mexico	932	455	20
Peru	1,184	939	35
Uruguay	457	396	63

American officials had decided in 1944 that it would be necessary to continue the operation of the Proclaimed List for an undetermined period following the cessation of hostilities in Europe. On April 28, 1945, Secretary of State Stettinius informed the United States Chiefs of Mission throughout Latin America that an understanding had been reached with the British Government whereby minor offenders would be eliminated from the list immediately after V-E Day, intermediate offenders about four months later, with hard-core sympathizers being retained for about one year after

³⁹ George S. Messersmith to Secretary of State, October 24, 1945, State Department Records, NA, RG59.

⁴⁰ United States Ambassador to Great Britain (Winant) to Secretary of State, October 1, 1945, State Department Records, NA, RG59.

the European phase of the war had ended.⁴¹

All minor offenders were stricken from the list by June, 1945, and no further additions were made unless it was intended that the firm or individual should remain on the list until it was completely dissolved, i.e., the company or person was a hard-core offender. By the end of November all but the most ardent Axis supporters had been deleted, and on June 5, 1946, Secretary of State James F. Byrnes who had succeeded Stettinius in the summer of 1945 directed that all Latin American Governments be informed that the United States would totally withdraw the Proclaimed List on or about June 30.⁴²

Mexico's collaboration on all Proclaimed List matters was freely given throughout the duration of the war despite the serious economic problems caused by the list in all sections of the Mexican economy. The situation was particularly critical before the procedure was devised for deleting many of the intervened firms. Prior to their removal these companies were unable to import any products from the United States which was their principal source of merchandise. Of some importance also were the internal political problems experienced by President Camacho when he continued to cooperate with the Roosevelt Administration after several politically prominent Mexican citizens were included on the list.

From the time of their seizure in the summer of 1942 the eleven intervened drug and chemical firms presented the Mexican Government with a unique set of circumstances and were accorded special attention by President Camacho and his senior advisers. These companies represented a

⁴¹Circular Telegram, Secretary of State to American Diplomatic Missions in the Other American Republics, April 28, 1945, State Department Records, NA, RG59.

⁴²Circular Telegram, Secretary of State to Missions in American Republics, June 5, 1946, State Department Records, NA, RG59.

very important segment of the Mexican economy, and their continued operation was considered essential to the country's economic well-being. They included branches of such renowned German pharmaceutical companies as I. G. Farbin and Beick-Felix. The former concern, which employed worldwide about 10,000 chemists among its 300,000 workers, was managed so as to gather for the Nazi Party the greatest possible influence beyond German borders and was evaluated by the State Department as being "unmatched in sheer economic power by any other single industrial enterprise in the world."⁴³

Ambassador Messersmith notified the State Department in September, 1942, that President Camacho and Finance Minister Eduardo Suarez had commissioned Valentin R. Garfías to develop a method whereby the intervened drug and chemical concerns could be effectively organized into an efficient Government-owned enterprise. Before the end of the year Garfías had informally approached the American Cyanamid Company with the proposal that the latter assume the management of certain intervened chemical, drug and pharmaceutical firms which would soon be completely expropriated by the Mexican Government and organized into a federally-operated company. Colonel Fredrick Pope, the Director of American Cyanamid, informed the State Department that no definite reply would be made to the Mexican suggestion until the American Government's attitude to the proposed plan could be ascertained.⁴⁴

In discussions with United States officials, Garfías stated that Cyanamid was preparing a tentative study in response to the proposal

⁴³State Department Press Release No. 155, May 2, 1944, State Department Records, NA, RG59.

⁴⁴Cordell Hull to George S. Messersmith, December 11, 1942, State Department Records, NA, RG59.

made by his Government. The purpose of the plan, according to the Mexican representative, was to build a national chemical industry which would reduce annual drug and pharmaceutical imports by 50 million pesos (about \$10 million). He said he had stressed to the American company that it would not be particularly advantageous for Mexico to transfer from German to American domination of her chemical industry; therefore, Cyanamid was to devise a plan for decreasing Mexican imports rather than augmenting United States exports. Garfías advised the State Department personnel that for the present it was essential to obtain management services abroad since Mexico simply did not have the domestic resources from which to draw. He stated that the proposed Government company would dominate about 50 percent of the Mexican drug market and had no intention at the moment to engage in foreign commerce.⁴⁵

By the middle of March, 1943, American Cyanamid had formulated a plan according to which the Mexican Government would expropriate the intervened drug firms including their patents, copyrights and trademarks, and would establish a Government-owned company to be known as Quimica y Farmaceutica, S. A. in which would be vested the ownership of the confiscated properties. Cyanamid would organize a company, Tecnicos Quimicos, which would sign a contract with the federal enterprise under which the former would provide all the management and administrative services required by the latter.⁴⁶ Tecnicos Quimicos would be wholly owned by American Cyanamid which would receive 60 percent of the former's earnings as payment for the use of its patents and trademarks and for making its

⁴⁵Memorandum of Conversation between V. R. Garfías and State Department Officials, January 30, 1943, State Department Records, RA, RG59.

⁴⁶Foreign Relations of the United States, 1943, George S. Messersmith to Cordell Hull, April 22, 1943, Vol. 6, pp. 489-491.

personnel available for consultation. The proposed contract which did not prevent other American firms from taking part in Mexican drug trade, would run for six years and was thereafter renewable for three year periods.⁴⁷ When details of the plan became known in Washington, Secretary of State Hull directed Ambassador Messersmith not to indicate approval of the Cyanamid proposition until Department officials had ample opportunity to carefully study its terms and recommend possible alterations.

Leo T. Crowley, the Alien Property Custodian (APC), immediately made known his opposition to the American Cyanamid proposal. Crowley notified Secretary Hull that he objected to the plan because: 1) it was contrary to the principles of the Atlantic Charter; 2) its "monopolistic implications and possibilities" conflicted with the policy of the United States Government regarding commercial agreements; 3) it placed Cyanamid in a favored position vis-à-vis other American firms; 4) the possibility existed that Axis firms would be able to reenter Mexico after the war by putting pressure on American Cyanamid in other world markets; and 5) other United States companies whose assistance was needed in helping Latin American industry to develop would become discouraged and lose interest in developmental projects.⁴⁸

The APC felt that there were other American concerns able to make more beneficial contributions to Mexico than Cyanamid could, and he favored a plan whereby several firms would jointly assist in the development of Mexican industry under his coordination. He told Hull that he would be willing to formulate an alternate arrangement which would be

⁴⁷Memorandum by State Department's Foreign Funds Control Division, May 6, 1943, State Department Records, NA, RG59.

⁴⁸Alien Property Custodian (Crowley) to Secretary of State, April 13, 1943, State Department Records, NA, RG59.

more advantageous to Mexico and would significantly reduce the possibility that the intervened properties would be returned to their former owners.⁴⁹

The State Department's Foreign Funds Control Division was of the opinion that the entire matter was basically the concern of the Camacho Government. The Division thought that the Cyanamid plan would immediately remove all Axis influence from the Mexican drug industry and recommended, despite some reservations, that the proposal be approved by the State Department provided American Cyanamid guaranteed its export business to those companies making up the Government-owned pharmaceutical enterprise would not increase proportionately by more than five percent over what it had been prior to the war, and that it would undertake not to agree with any foreign interests for a division of world markets nor enter into any similar non-competitive arrangement.⁵⁰ When Division Chief Bernard Meltzer learned of Crowley's interest in devising a substitute plan he recommended that the Mexican Government be informed of the Custodian's intention, but if Mexico did not favor this approach, the United States should not object to the Cyanamid proposal.⁵¹

Ambassador Messersmith was of the opinion that no opposition should be placed in the path of the proposed arrangement under which President Camacho would move to expropriate the former Axis properties, rather than simply continue the intervention, since expropriation would render it all but impossible for the original proprietors to reacquire their properties. Messersmith said he would not favor a plan whereby the

⁴⁹ Alien Property Custodian (Crowley) to Secretary of State, April 24, 1943, State Department Records, NA, RG59.

⁵⁰ Memorandum by Foreign Funds Control Division, April 8, 1943, State Department Records, NA, RG59.

⁵¹ Memorandum by Foreign Funds Control Division (Meltzer), May 6, 1943, State Department Records, NA, RG59.

intervened companies would be organized into a private corporation, but he saw no reason to reject the concept of a Government-controlled enterprise. He reported it was generally felt in Mexico that if the intervention was allowed to continue until after the war the former enemy owners would in many cases be able to regain control of their businesses. Even if this did not occur, the Ambassador explained, the Mexican drug companies, unless confiscated by the Government, would look to Germany after the war for many of their imports.⁵²

The Director of American Cyanamid notified State Department officials on May 4, 1943, that the Mexican Government was becoming annoyed over the United States delay in approving his company's proposal. Colonel Pope said that if the agreement could not be finalized by May 15 it was unlikely the Camacho Administration would nationalize the intervened chemical firms in the foreseeable future. He stated that his proposal was not an attempt to exclude domestic competition from the Mexican drug market, and he assured the Department officials that Cyanamid would find it necessary to purchase materials for its Mexican project from other Americans firms since United States pharmaceutical manufacturers simply did not produce all of the intermediates which they used.⁵³

The week following Colonel Pope's visit to the State Department, Secretary Hull requested Ambassador Messersmith, unless the latter perceived some objection, to inform the Mexican Government of the APC's belief that an arrangement could be made whereby the former enemy drug companies under his control, together with other American chemical

⁵²Foreign Relations of the United States, 1943, George S. Messersmith to Cordell Hull, April 22, 1943, Vol. 6, pp. 487-491.

⁵³Memorandum of Conversation, Colonel Fredrick Pope and State Department Officials, May 4, 1943, State Department Records, NA, RG59.

concerns, would provide for Mexico's drug industry the same services contemplated by the Cyanamid plan. The Ambassador was to assure Mexican officials that the United States was only interested in assisting in the development of Mexico's drug industry, and that the transmittal of this offer did not indicate a rejection of the American Cyanamid proposal which was still being considered by the State Department and other agencies of the Government.⁵⁴

Messersmith replied on May 12 that he and other Embassy personnel considered it inadvisable to approach the Mexican Government in the manner suggested by the Secretary of State since they felt Mexico was not interested in going into business with the United States Government and would resent such a proposal. The Ambassador stated there was nothing monopolistic about the Cyanamid plan which was, in his opinion, the only sure arrangement for preventing German firms from entering the Mexican drug and chemical market. He said that American Cyanamid and the Camacho Administration had been ready to sign the contract, which to the dissatisfaction of the Mexicans, was prevented by United States interference. Messersmith strongly recommended that the State Department notify the American company that it had no objection to the proposed plan.⁵⁵

Leo Crowley and Assistant Attorney General Hugh Cox, met with State Department officials on May 14, 1943, to discuss the Mexican-Cyanamid situation. Both Crowley and Cox spoke of their concern that the suggested arrangement would work to exclude other American firms from taking part in Mexican chemical trade. The Department representatives said that it

⁵⁴Foreign Relations of the United States, 1943, Cordell Hull to George S. Messersmith, May 10, 1943, Vol. 6, p. 498.

⁵⁵Foreign Relations of the United States, 1943, George S. Messersmith to Assistant Secretary of State (Acheson), May 12, 1943, Vol. 6, pp. 499-501.

would be difficult to reject the Cyanamid plan since it did not violate United States law, and it specifically stated that all American firms would have free access to the Mexican market. Although this guarantee might be nothing more than an empty promise, it would be impossible to base United States disapproval on this hypothesis. The State Department officers pointed out that from the viewpoint of American economic warfare objectives and the desire to eliminate I. G. Farben from operating in this Hemisphere it would be preferable to have the Cyanamid arrangement than no arrangement at all. Crowley and Cox both supported the latter statement.⁵⁶

Following this meeting Bernard Meltzer recommended to Secretary Hull that in view of Ambassador Messersmith's letter of May 12, and the decision made by Crowley and Cox to support the Cyanamid plan if Mexico refused further negotiations, the State Department should not attempt to block the proposed arrangement. Meltzer said that although the plan was not considered optimum by the Foreign Funds Control Division, and its acceptance would in all probability be criticized in the American press, the United States Government did not have a better alternative to offer except for the somewhat nebulous proposal made by the APC.⁵⁷

The May 15 contract signing deadline purportedly set by the Mexican Government passed without either approval or disapproval of the Cyanamid arrangement being given by the State Department. On May 22, 1943, Laurence Duggan, the Department's Adviser for Political Relations notified Under Secretary Welles that after careful study he had concluded the

⁵⁶Memorandum of Conversation, Alien Property Custodian, Assistant Attorney General and State Department Officials, May 14, 1943, State Department Records, NA, RG59.

⁵⁷Memorandum by Foreign Funds Control Division (Meltzer), May 15, 1943, State Department Records, NA, RG59.

proposal embodied "strong monopolistic implications." Duggan advocated the continuation of efforts to reach a Government-to-Government understanding relative to the management and administration of Mexico's chemical industry.⁵⁸

Since the Washington bureaucracy was unable to reach an agreement on the Cyanamid plan, the matter was referred to President Roosevelt for his decision. On May 26 Attorney General Francis Biddle notified the President that while the State Department was unwilling at this advanced stage of the Mexican-Cyanamid negotiations to suggest an alternative approach, many other Government agencies feared the monopolistic implications of the proposed settlement and advocated the presentation to the Foreign Office of a substitute arrangement. Biddle cautioned that the plan finally adopted with respect to Mexico would set a precedent for similar negotiations with the other Latin American countries. He told Roosevelt that Leo Crowley was prepared to make an offer providing the same advantages to Mexico as the Cyanamid proposal, but which would utilize the talent and services of many former German companies under the control of the APC rather than a single firm as presently suggested. Biddle favored the latter arrangement since he felt it would prevent the Mexican drug business from drifting back to Germany after the war and would permit several American chemical companies to freely enter the Mexican market.⁵⁹

In early June, 1943, Secretary of State Hull presented a compromise plan to President Roosevelt which had been approved by Vice-President

⁵⁸Foreign Relations of the United States, 1943, Memorandum by Adviser for Political Relations (Duggan), to Under Secretary of State and Assistant Secretary of State (Acheson), May 22, 1943, Vol. 6, pp. 501-502.

⁵⁹Memorandum, Attorney General Francis Biddle to President Roosevelt, May 26, 1943, Secretary's File No. 14, Roosevelt Library.

Wallace, the Attorney General, the APC and the Board of Economic Warfare. The proposal provided that despite certain objections to the Cyanamid arrangement the Mexican Government should be notified that the United States would not place any obstacle in the path of its dealings with the American concern, while at the same time the American Embassy would present the APC's offer to the Foreign Office. Hull said that rejection of the Cyanamid plan could be interpreted by the Mexican Government as "gringo" interference and could result in a refusal by Mexico to take prompt and effective action against the intervened properties. The Secretary conceded that the acceptance of Crowley's proposal would be very advantageous to the United States since the companies under the control of the APC could be used as instruments of Government policy and could wage economic warfare without being influenced by the profit motive. Hull advised, however, that the "no objection" to the Cyanamid proposal be given so as to avoid the impression that the United States was pressuring Mexico to accept Crowley's plan.⁶⁰

While President Roosevelt was considering the recommendation made by the Secretary of State, the American Cyanamid Company informed the State Department that it had decided to terminate its negotiations with Mexico and withdraw its contract offer. The firm indicated this decision was the result of frequent press reports in which Government officials were critical of its proposed business arrangement with the Mexican drug and chemical companies.⁶¹ However, Department officials were of the

⁶⁰Foreign Relations of the United States, 1943, Memorandum, Secretary of State Hull to President Roosevelt, June 10, 1943, Vol. 6, pp. 505-506.

⁶¹Foreign Relations of the United States, 1943, Memorandum of Telephone Conversation by Foreign Funds Control Division (Meltzer), June 17, 1943, Vol. 6, pp. 506-508.

opinion that if the Roosevelt Administration eventually approved its plan Cyanamid would still be eager to enter into an agreement with the Camacho Government.

Secretary Hull forwarded a letter to Ambassador Messersmith in late June, 1943, which President Roosevelt had written to President Avila Camacho in which the American Chief Executive informed his Mexican counterpart that the Alien Property Custodian was willing to place at the disposal of the Mexican Government the services of certain chemical firms which had formerly belonged to German nationals, but which had been seized by the Custodian. Roosevelt said that the decision to accept Crowley's offer rested entirely with the Camacho Administration, but he emphasized his belief that the companies controlled by the APC could provide the Mexican drug industry with a very useful service.⁶²

On the same day he received Roosevelt's letter for delivery to President Camacho, Ambassador Messersmith telephoned Under Secretary Welles to request that the following points be brought to the President's attention before his letter was handed to the Mexican Head of State: 1) Mexico had indicated a preference for dealing with private firms; 2) the Camacho Administration did not want to enter into a contract with former German companies; 3) the members of the Vigilance Committee had stated they did not favor entering into an agreement with a Government agency; 4) President Roosevelt's letter would put Camacho in a very embarrassing position since he could not agree to the APC's offer, but would find it very difficult to reject a proposal approved by the American President; and 5) the United States initiative could result in the Mexican Government taking no further action with respect to the intervened drug and

⁶²Foreign Relations of the United States, 1943, President Roosevelt to President Avila Camacho, June 24, 1943, Vol. 6, pp. 509-510.

chemical firms, thereby making it easier for their former owners to reacquire control of them after the war.⁶³

Although the points raised by Messersmith had been thoroughly considered by the President, Welles acceded to the Ambassador's request and brought them to Roosevelt's attention. The latter again decided that his letter should be forwarded to President Camacho with the explanation that the final decision rested entirely with the Mexican Government and that the United States was "not trying to force anything down their throats."⁶⁴

Messersmith delivered President Roosevelt's letter on July 3, 1943, and on July 9 President Camacho replied that his Government was always interested in any arrangement designed to promote mutually beneficial collaboration between Mexico and the United States. He said he was not able at that moment to make a definite decision on the American proposal, but he would welcome a visit from Leo Crowley or one of his assistants to explain in greater detail the provisions of the APC's offer.⁶⁵

On learning of President Camacho's letter to President Roosevelt, the Property Custodian began in earnest to formulate a specific plan which would be acceptable to the Mexican Government. One of the first proposals called for the Camacho Administration to form a holding corporation, wholly owned by the Government, in which would be vested all the stock interests in the former Axis companies, and for the APC to

⁶³Foreign Relations of the United States, 1943, Memorandum, Under Secretary of State Welles to President Roosevelt, June 28, 1943, Vol. 6, pp. 510-511.

⁶⁴Foreign Relations of the United States, 1943, Cordell Hull to George S. Messersmith, July 2, 1943, Vol. 6, p. 513.

⁶⁵Foreign Relations of the United States, 1943, President Avila Camacho to President Roosevelt, July 9, 1943, Vol. 6, p. 515.

form a development corporation which would provide the required management and technical assistance. The development corporation was to be an instrumentality of the American Government with its Board of Directors responsible to the State Department, the APC and other federal agencies.⁶⁶ Since this plan conflicted in several respects with the views of the Mexican Government, as reported by Messersmith, it was not seriously considered by the Camacho Administration.

In early August, Morrison G. Tucker, the Assistant Property Custodian, traveled to Mexico with a specific proposal for the Mexican Government which was modified somewhat by Ambassador Messersmith and delivered to Foreign Minister Padilla on August 14, 1943. The American plan, as modified, provided that the Mexican Government would form a holding company which would control the federally-owned pharmaceutical and chemical companies, and would deal directly with firms held by the APC or other United States concerns when management or technical assistance was needed.⁶⁷ Although this proposal was acceptable to the Mexicans, the State Department and the APC were disturbed that Messersmith's change to the original arrangement would exclude any participation by the United States Government and would allow the Mexican holding company to enter into contracts directly with the firms controlled by Crowley. The Department notified the Ambassador that it was imperative his note to Padilla be rephrased so as to permit the APC to "use his good offices to select that American company best able to render the assistance required by the Mexican holding company on terms satisfactory to the

⁶⁶Memorandum by Alien Property Custodian, July 29, 1943, State Department Records, NA, RG59.

⁶⁷Foreign Relations of the United States, 1943, Memorandum, George S. Messersmith to Ezequiel Padilla, August 14, 1943, State Department Records, NA, RG59.

Mexicans."⁶⁸ State Department officials were worried, that contrary to the intent of both the Department and the APC, Messersmith's memorandum would give the impression that the Custodian had acquired for his firms a "preemptive position" in an entirely commercial undertaking.⁶⁹

In early October Ambassador Messersmith notified Assistant Secretary of State Acheson that the Foreign Office considered the proposal presented to Padilla on August 10 was "the finest and most understanding document presented to the Ministry in many years." The Mexicans were thrilled, Messersmith reported, that the arrangement did not provide for a major United States governmental role.⁷⁰ Acheson insisted, however, that the Ambassador make every effort to secure the change desired by the Department and the APC.

Messersmith notified Secretary Hull on November 9, 1943, that final arrangements for the development of the Mexican chemical industry, embodying the modifications requested by American officials, had been completed with the Camacho Administration. The approved plan provided that: 1) the Mexican Government would form a holding company in which would be vested absolute ownership of all seized drug and chemical firms; however, the autonomy of individual concerns would be maintained so that each could enter into separate contracts with American businesses; 2) the Mexican holding company and the APC would each appoint a commissioner to discuss methods for fully implementing the agreement. The plan called

⁶⁸Foreign Relations of the United States, 1943, Cordell Hull to George S. Messersmith, September 22, 1943, State Department Records, NA, RG59.

⁶⁹Assistant Secretary of State Dean Acheson to George S. Messersmith, September 24, 1943, State Department Records, NA, RG59.

⁷⁰George S. Messersmith to Assistant Secretary of State Dean Acheson, October 5, 1943, State Department Records, NA, RG59.

for United States firms to render all possible assistance to the Mexican drug, chemical and pharmaceutical industry. Unless requested otherwise by the Mexican Government, the management and administration of the companies in question would remain in Mexican hands; and 3) the Mexican Government would notify the APC through the American Commissioner of the need for any assistance. The Custodian would determine which firm under his control could best provide the required aid. All contracts for such assistance and supply support would be exclusively between the Mexican and American companies with no participation by the APC.⁷¹

Prior to reaching the final settlement Morrison Tucker and Luis Cabrera, President of the Junta de Administración y Vigilancia agreed that before the terms of the understanding could be implemented it would be necessary for President Camacho to completely expropriate the intervened drug and chemical companies. When no action had been taken in this regard by the Mexican Government, Tucker was sent to Mexico in early March, 1944, to inquire why the confiscation decree had not been issued. Cabrera apologized for the inordinate delay and promised that the proclamation would be made in the near future. Enabling legislation was passed on March 13, 1944, but due to Camacho's preoccupation with more pressing matters and the illness of Cabrera, no immediate action was taken to prepare expropriation decrees for individual firms.⁷²

The APC notified Cabrera on June 14, 1944, that he stood ready to fulfill the terms of the November, 1943 agreement, but he said his offer of assistance could not be extended for an indefinite period pending the

⁷¹George S. Messersmith to Cordell Hull, November 9, 1943, State Department Records, NA, RG59.

⁷²Memorandum by State Department's Division of Economic Security Controls, December 4, 1945, State Department Records, NA, RG59.

confiscation of the properties and the formation of a holding company by the Mexican Government. Crowley stated that he could not continue to restrain the firms under his control from entering the Mexican drug market particularly when American competition was already establishing itself there. Cabrera suggested that a time limit be set for the expropriation, after which the Custodian would be relieved of his responsibilities under the November accord if the Camacho Administration had failed to move against the intervened concerns. The APC accepted this proposal, and both men agreed to a July 31 deadline.⁷³

The time limit passed with no action being taken by the Mexican Government. In late May, 1945, President Camacho informed the American Embassy that he had decided to postpone the expropriation of the chemical firms and all other businesses seized by the Vigilance Committee until he could ascertain what action was contemplated by the other American Republics against former Axis-owned properties.⁷⁴ Definite assurances were given that under no circumstances would the companies in question be returned to their original proprietors.

Ambassador Messersmith informed the State Department in July of Finance Minister Suárez's concern that no cooperation had as yet taken place under the November, 1943 agreement. Suárez cited the letter from President Roosevelt to President Camacho in which the American Chief Executive had promised to lend all possible assistance to Mexico in establishing a national drug and chemical industry, and he expressed his regret that Mexico had not pressed harder for the acceptance of the

⁷³Memorandum by State Department's Division of Economic Security Controls, December 4, 1945, State Department Records, NA, RG59.

⁷⁴United States Embassy in Mexico to State Department, May 31, 1945, State Department Records, NA, RG59.

Cyanamid proposal.⁷⁵

After more than two years of frustrated waiting, the State Department on January 11, 1946, requested Ambassador Messersmith to notify the Foreign Office that due to the failure of the Mexican Government to expropriate the seized drug firms and establish a holding company, which were agreed prerequisites to the receipt of American assistance in developing a drug industry, the Alien Property Custodian considered that he had no outstanding obligation to the Mexican Government.⁷⁶ Thereafter any United States aid in the establishment and development of Mexico's drug industry was to be on a strictly ad hoc basis. An inquiry to the American Embassy in Mexico City in 1970 disclosed that the drug and chemical firms were retained by the Mexican Government and eventually organized into a single federally-owned company; however, in at least a few cases some of the other intervened properties were reacquired by the families which had originally owned them.

It appears quite probable Ambassador Messersmith was correct in the summer of 1943 when he pointed out, prior to forwarding President Roosevelt's letter to President Camacho, that Mexico did not want to enter into a business agreement with a Government agency and that Camacho could not accede to the proposal of the APC although he would find it very difficult to reject a plan endorsed by Roosevelt. Perhaps it was so difficult for the Mexican President to turn down Roosevelt's offer, that he superficially accepted the American initiative with the idea that it would never be effectuated. Crowley, Duggan and Assistant Attorney

⁷⁵Memorandum by Division of Mexican Affairs, August 17, 1945, State Department Records, NA, RG59.

⁷⁶Secretary of State to George S. Messersmith, January 11, 1946, State Department Records, NA, RG59.

General Cox were probably justified in their conclusion that American Cyanamid would have gained a favored position in the Mexican drug market had Cyanamid entered into a contract with the Mexican Government. However, this does not seem as important a consideration as preventing the intervened firms from reverting to German ownership. It appears that Messersmith, who was in a position to know, accurately reported the feelings of the Camacho Government, and that the Roosevelt Administration should have followed the Ambassador's recommendation if it really wanted Camacho to expropriate the drug companies during the war. The validity of this analysis can be questioned, but it can not be disputed that between November 9, 1943, and January 11, 1946, no serious attempt was made by the Mexican Government to expropriate the intervened drug and chemical firms, a prerequisite to the implementation of the agreement.

Regardless of this lack of action by Avila Camacho, it cannot be argued that he failed to cooperate with the United States in restricting Axis commercial activities during the war. Mexico's collaboration in Proclaimed List matters was more effective and far-reaching than that of any other Latin American nation. Although the expropriation of enemy properties was not carried out as quickly as the United States would have liked, the severity of Mexican restraints prevented the Axis countries from deriving major benefits from their commercial enterprises in Mexico during the critical years of World War II.

CHAPTER XII

THE MEXICAN PETROLEUM DEBATE

It will be recalled that in 1938 President Lázaro Cárdenas expropriated all American-owned oil properties in Mexico, causing United States-Mexican relations, which had experienced several fluctuations since the overthrow of Porfirio Díaz, to take a decided turn for the worse. A satisfactory solution to the oil controversy, never possible during the presidency of Cárdenas, was finally negotiated as part of the comprehensive settlement of November 19, 1941. It was this agreement which led to the almost total collaboration between these two allies during World War II. (See Chapters I and II.)

Although not openly admitted by many high-ranking Mexican officials in the early 1940's, the output and efficiency of their nation's petroleum industry did not increase substantially following the 1938 expropriation. This stagnation in petroleum output bothered members of the Roosevelt Administration who looked to Mexico as a possible source of crude and refined oil which was in great demand during the critical years of the war. On assuming his post in Mexico City in February, 1942, Ambassador Messersmith was informed of the American Government's desire to see Mexico's oil resources explored and developed so that United States defense industries could acquire her exportable surplus for their own use. Messersmith was instructed to study the operation of the Government-owned industry and recommend steps that should be taken to develop

Mexican oil reserves to the mutual benefit of both countries.¹

Shortly after the signing of the comprehensive understanding of 1941, Secretary of the Interior Harold L. Ickes, in a memorandum to President Roosevelt, suggested that the United States Government might wish to purchase the confiscated petroleum properties from Mexico. On February 20, 1942, Ickes, in his capacity as Petroleum Coordinator for National Defense, again recommended to Roosevelt that consideration be given to buying the expropriated oil land. He said that petroleum reserves were being consumed more rapidly than anticipated and no new oil discoveries had been made in the last several years. Ickes estimated that American reserves would be depleted within sixteen years.²

President Roosevelt allowed Ickes' initial proposal to go unanswered, but when it was repeated the President replied that he had over the years, carefully examined the Mexican oil situation, and based on his knowledge of the Mexican Constitution, the policies of the Camacho Administration and the mood of the Mexican people, he was sure that an offer from a foreign Government to purchase petroleum property in Mexico would not be seriously considered. Moreover, in Roosevelt's judgment it would be inappropriate even to make such a suggestion when a decision had not yet been reached by the Cooke-Zevada Mission which under the terms of the November 19, 1941 agreement was to determine the value of the expropriated oil land.³

¹Unpublished Memoirs of George S. Messersmith, Vol. 2, No. 17, University of Delaware.

²Harold L. Ickes to President Roosevelt, February 20, 1942, Official File No. 56, Roosevelt Library.

³President Roosevelt to Harold L. Ickes, February 28, 1942, Official File No. 56, Roosevelt Library.

Since the President had definitely rejected his recommendation that the United States attempt to purchase oil property in Mexico, the Interior Secretary decided that if petroleum were to be acquired from Mexico in meaningful quantities American businessmen would have to supply financial and technical assistance. In the summer of 1942, he sent a letter to Secretary of State Hull in which he attempted to win Hull's support for a proposal submitted by a group of American oil producers who advocated the construction of numerous refining and natural gasoline plants in Mexico. Included among the sponsors of the plan was Edwin W. Pauley, Treasurer of the Democratic National Committee. Ickes informed Hull that the proposed projects which had been studied for several weeks by Interior Department personnel were technically sound and would fit well into any arrangement for the complete rehabilitation of the Mexican oil industry which, of necessity, would be more encompassing than the plan supported by Pauley and his associates. In Ickes' opinion the proposal represented "a sound and logical first step" and was "definite, well thought out, and...worthy of support."⁴

Despite Ickes' enthusiasm for the plan submitted by Edwin Pauley it was never endorsed by the United States Government. Although the State Department favored the participation of private American oil companies on an equitable basis in the expansion of Mexico's oil industry, Department officials considered Pauley's proposal for the exploration and development of oil properties was too one-sided and offered little benefit to Mexico. Secretary Hull advised President Roosevelt that the recommended arrangement, if concluded, would lead to the exploitation of Mexican resources and a recurrence of the oil controversy that had

⁴Harold L. Ickes to Cordell Hull, August 4, 1942, Official File No. 146-Box 2, Roosevelt Library.

plagued relations between the United States and Mexico for many years.⁵

When the Cooke-Zevada Mission completed its task in April, 1942, the Roosevelt Administration decided that the United States would collaborate to the greatest extent possible in the reorganization and rehabilitation of Mexico's petroleum industry and that only the exigencies of war would be permitted to deter America from this important task. In July Secretary Hull requested Ambassador Messersmith to make known to the Foreign Office the State Department's belief that it would be most beneficial to have a small group of American petroleum experts undertake a survey of Mexican oil fields jointly with representatives of Petroleos Mexicanos (PEMEX). According to Hull the results of the survey would be used to emphasize to those agencies of the American Government concerned with material allocation the urgency and desirability of supplying Mexico with material requested by PEMEX to expand and develop the national oil industry. In addition, the field inspection, in Hull's opinion, would provide the Roosevelt Administration with the factual knowledge on which it could base its response to requests from the Mexican Government for assistance in carrying out certain petroleum projects. Even while the idea of a rapid survey of Mexican oil installations was being considered by both Governments, the State Department was taking action designed to expedite the flow of the most critically needed repair and maintenance materials to the nationalized petroleum industry.⁶

Within a few days after Ambassador Messersmith raised the issue of a survey of Mexican oil fields, President Camacho replied that he would

⁵Cordell Hull to President Roosevelt, November 27, 1942, Confidential File: Office of Petroleum Coordinator, Roosevelt Library.

⁶Foreign Relations of the United States, 1942, Cordell Hull to George S. Messersmith, July 25, 1942, Vol. 6, p. 526.

be very pleased if a small group of about four experts who were fully conversant with modern production, refining, transportation and engineering procedures could be sent to his country to study Mexican petroleum operations jointly with officials from Petroleos Mexicanos.⁷ The American survey team consisting of representatives from the Office of the Petroleum Coordinator for National Defense, the Board of Economic Warfare, the Office of the Coordinator of Inter-American Affairs and the War Production Board arrived in Mexico on August 23, 1942, and together with their Mexican counterparts completed the assigned mission in less than a month.

In their final report the oil experts concluded that producing operations required only maintenance and replacement materials to sustain their current output, but an expansive exploration and drilling program was needed to improve Mexico's deteriorating reserve position. The survey indicated that critical conditions existed in most refineries where both maintenance and expansion materials were required to continue existing operations and meet future requirements which could arise from the war emergency. The report recommended that after certain refineries had been expanded equipment be installed in Mexico for processing daily about 1,000 barrels of high octane aviation gasoline. It was felt that most distillation and cracking equipment could be obtained from refineries in the United States which were no longer in operation, but the request for high octane manufacturing facilities would have to be integrated into the overall production program for world-wide gasoline plant construction.⁸

⁷Foreign Relations of the United States, 1942, George S. Messersmith to Cordell Hull, July 28, 1942, Vol. 6, pp. 527-528.

⁸Foreign Relations of the United States, 1942, Memorandum, Chairman of the Foreign Petroleum Policy Committee (Thornburg) to Secretary of State, December 3, 1942, Vol. 6, p. 535.

After reviewing the report of the petroleum experts, the State Department advised Ambassador Messersmith that the United States could not implement all of the recommendations of the oil mission until the position of the Mexican Government was clarified with respect to the future participation by private American companies in the Mexican petroleum industry. The Department said that repair parts would be made available to maintain existing installations and that the American Government was willing to enter into discussions leading to the construction of a high octane gasoline plant in Mexico, but that no other equipment would be supplied for further expansion until the requested clarification was supplied by the Camacho Administration.⁹

As early as January, 1942, the Petroleum Coordinator for National Defense had informed President Roosevelt that the United States current production of 100-octane aviation gasoline which amounted to about 150,000 barrels per day would not be sufficient to meet the demand that would develop as a result of the President's expanded plane construction program.¹⁰ Ickes recommended that efforts be made to acquire from previously untapped sources the high octane gasoline required in all high performance military aircraft.

During his visit to Washington in April, 1942, Mexican Foreign Minister Ezequiel Padilla together with Under Secretary of State Sumner Welles issued a joint statement in which the two officials agreed that a high octane gasoline plant should be constructed in Mexico as soon as

⁹ Memorandum of Telephone Conversation between State Department and Ambassador Messersmith, December 12, 1942, Department of State Records, National Archives, Record Group 59. Hereafter referred to as State Department Records, NA, RG59.

¹⁰ Harold L. Ickes to President Roosevelt, January 19, 1942, Official File 4435, Roosevelt Library.

the required equipment and material could be provided by American manufacturers. Following Padilla's return to Mexico City, Secretary of State Hull explained to Ambassador Messersmith for his "strictly confidential information" that due to the great need for the expansion of petroleum facilities in the United States to satisfy defense requirements, it would be "at least one year, probably two years and possibly even longer" before the necessary equipment could be supplied for the construction of an aviation gasoline plant in Mexico.¹¹

President Roosevelt considered the high octane project much too important to permit delays of the magnitude envisaged by Hull. On November 23, 1942, Roosevelt wrote to the Secretary of State, the Petroleum Coordinator and the Secretary of Commerce to express his views on the necessity of quickly concluding an agreement with Mexico for the construction of the plant. He said that the 100-octane proposal had been pending for several months and that he wanted to see it disposed of "on its merits, with the least possible further delay" and without it being permitted "to become involved in the expropriation or other extraneous matter."¹² The President directed the officials concerned to quickly report on the current status of the proposed project.

Secretary Ickes replied the same day, saying that he hoped the plan for a 100-octane plant in Mexico could be rapidly approved and that his office was ready to do everything it could to that end. Secretary Hull reported that the technical mission of petroleum experts which had recently conducted a survey of Mexican oil properties had presented a

¹¹Foreign Relations of the United States, 1942, Cordell Hull to George S. Messersmith, May 22, 1942, Vol. 6, pp. 525-526.

¹²President Roosevelt to Secretary of State, Petroleum Coordinator and Secretary of Commerce, November 23, 1942, Confidential File: Office of Petroleum Coordinator, Roosevelt Library.

complete program for the rehabilitation of Mexico's petroleum industry which called for the construction of new installations and the expansion of existing facilities before building an aviation gasoline plant. Hull said that the State Department and the Mexican Government supported this recommendation.¹³

President Roosevelt disagreed with Hull and directed the Secretary to proceed with arrangements leading to the immediate construction of the 100-octane gasoline plant. In mid-December the Secretary of State notified Roosevelt that negotiations with Mexico would begin as soon as a satisfactory proposal covering the planning, construction and operation of the facility had been formulated by officials from the State and Commerce Departments and the Office of the Petroleum Coordinator, and the required export clearances had been obtained for the large amount of material and equipment required for the project.¹⁴

In a letter to President Roosevelt dated February 16, 1943, Interior Secretary Ickes criticized the State Department, primarily Ambassador Messersmith and Laurence Duggan, for delaying the high octane project. He said that the State Department felt the United States should not push forward the proposed gasoline plant until Mexico made known her general oil policy with respect to the participation of American companies in the development of the national petroleum industry. While not attacking this position, Ickes recommended that every effort be made to reach an understanding with Mexico on her future petroleum policy. He advised Roosevelt that at the present rate of progress the 100-octane plant would

¹³ Cordell Hull to President Roosevelt, November 27, 1942, Confidential File: Office of Petroleum Coordinator, Roosevelt Library.

¹⁴ Memorandum, Cordell Hull to President Roosevelt, December 14, 1942, State Department Records, NA, RG59.

not be completed prior to the termination of the war.¹⁵

After reading Ickes' letter, the President sent a memorandum to Under Secretary of State Welles in which he demanded to know why the project had been delayed and requested a "definite action report" within the next few days. Roosevelt said from a strategic viewpoint he wanted to "have action and action now."¹⁶

Under Secretary Welles notified President Roosevelt on March 1 that negotiations with Mexican officials leading to the construction of a high octane gasoline plant would begin in the very near future. He said that the State Department and the Petroleum Coordinator had agreed on a proposal which envisaged a contract between PEMEX and a reputable American firm with a demonstrated expertise in designing and operating facilities similar to the one contemplated. Under the terms of the plan the United States would extend a construction credit to the Mexican Government which would presumably agree to give the American Government control over the exportable surplus of the gasoline produced by the new plant during the period of the financing.¹⁷

In late March, 1943, the Director of PEMEX, Efraín Buenrostro, arrived in Washington to begin discussions on the proposed high octane plant. At this time the State Department advised Mexican officials, in response to a request from the latter, that it would be impossible to finance the 100-octane facility with lend-lease funds since the project would be self-liquidating and represented a valuable adjunct to Mexico's

¹⁵ Harold L. Ickes to President Roosevelt, February 16, 1943, Secretary's File, Box 23, Roosevelt Library.

¹⁶ Memorandum, President Roosevelt to Sumner Welles, February 16, 1943, Official File 146-Box 2, Roosevelt Library.

¹⁷ Foreign Relations of the United States, 1943, Sumner Welles to President Roosevelt, March 1, 1943, Vol. 6, pp. 456-457.

petroleum industry.¹⁸ The Mexicans were again told that equipment for proposals other than the aviation gasoline plant would not be supplied by the United States until an over-all Mexican petroleum policy had been enunciated.

During the early stage of the negotiations the State Department suggested a plan, acceptable to Buenrosto, which provided that: 1) PEMEX would employ a renowned and experienced American consulting firm to supply advice on all refining operations; 2) the design and construction of the plant would be completed by a United States company known for its work in this field; 3) the Petroleum Coordinator for National Defense would supervise all technical phases of the project; 4) the United States would finance the construction costs, with repayment being made by the sale of high octane gasoline to the American Government; and 5) a staff of skilled American technicians supplied by the consulting firm would operate the plant.¹⁹

The only objection to the Department's proposal came from Harold Ickes who said he had been given the impression by President Roosevelt that the latter perceived the plant as being built and operated by the United States Government. State Department officials told Ickes that such an arrangement would never be accepted by the Camacho Administration, but the Interior Secretary refused to support the Department's plan despite efforts to convince him that Roosevelt had never envisaged the American Government owning any part of Mexico's petroleum industry.

Since the bureaucratic impasse showed no signs of being resolved,

¹⁸Memorandum by Under Secretary Welles, March 29, 1943, State Department Records, NA, RG59.

¹⁹Memorandum, State Department Consultant on Petroleum Matters (Thornburg), to Under Secretary Welles, April 13, 1943, State Department Records, NA, RG59.

Secretary Hull, on May 1, 1943, sent a memorandum to President Roosevelt in which he explained in detail the State Department's proposal. Hull said that he had already contacted Warren Pierson, president of the Export-Import Bank, who anticipated no difficulty in arranging a construction loan for Petroleos Mexicanos. Hull's memorandum was returned by the President who wrote in the margin: "CH OK FDR 5-10-43."²⁰ On receiving Roosevelt's approval for their plan, Department officials had little difficulty overcoming Ickes' objections. By the middle of July an agreement very similar to the original State Department proposal had been concluded between the Mexican and American Governments, and shortly thereafter the Export-Import Bank announced it had made a loan of \$10 million to Mexico for the construction of a high octane gasoline plant.

During the entire negotiations for the 100-octane facility, the United States continued to press the Camacho Administration for a decision on Mexico's future petroleum policy. Specifically, American officials wanted some indication as to whether private foreign companies would be invited to participate in the expansion and development of Mexico's oil industry. Since the expropriation of American oil properties, very few repairs had been made and no new exploration or drilling had been initiated by the Government monopoly which was losing money and could not afford to undertake operations involving high risks and high capital outlays.²¹ State Department officials felt that only American financing and technical knowledge would allow PEMEX to operate efficiently and profitably, and permit the nationally-owned enterprise to export its

²⁰Cordell Hull to President Roosevelt, May 1, 1943, State Department Records, NA, RG59.

²¹George S. Messersmith to Under Secretary of State Welles, January 7, 1943, State Department Records, NA, RG59.

products to the United States.

Mexican and American officials could not agree whether existing Mexican law would permit the participation of foreigners in any operational capacity in the domestic oil industry. The Ministry of National Economy interpreted the law as prohibiting foreigners in any capacity from obtaining contracts for oil exploitation in Mexico.²² The State Department understood Mexican legislation as preventing a foreigner from joining a Mexican firm directly owning subsoil petroleum properties, but allowing up to 49 percent participation by a foreigner in a Mexican company possessing a concession for underground exploitation.²³

Both President Camacho and Foreign Minister Padilla informed Ambassador Messersmith in January, 1943, that as far as they could see the only role for foreign capital in the Government-owned oil industry at that time was in the marketing of Mexican products outside of Mexico. Both leaders stressed that their country's internal markets would remain closed to foreign interests and Mexico would not alter her position that subsoil rights were vested in the nation and could never be transferred. Messersmith informed the President and Padilla that limiting the role of foreign capital to marketing Mexican petroleum products in overseas markets was "so narrow and so lacking in advantage" that it would not be considered by American companies and would be an inadequate basis for discussing with United States Government officials the possibility of supplying materials for expansion of the federal monopoly. When Camacho said that he hoped the Roosevelt Administration would extend a credit to PEMEX for exploration and drilling, the Ambassador replied that such

²²Excelsior, news article, December 23, 1942.

²³State Department to United States Embassy in Mexico, January 20, 1943, State Department Records, NA, RG59.

financing was out of the question due to the history of the United States-Mexican oil controversy and because credits for this purpose were not given to American oil companies.²⁴

Messersmith advised the State Department that President Camacho found it exceedingly difficult to discuss the reentrance of foreign oil interests into his country due to the emotion that this subject produced in Mexico where many people considered the day Lázaro Cárdenas expropriated American petroleum properties only slightly less important than Mexico's Independence Day. Although the President and Padilla probably realized that in order for the national oil industry to develop foreign capital had to be allotted a substantial role, they feared that such a decision would cause a vociferous reaction among those influential Government and PEMEX officials who were backed by labor and who were unequivocally opposed to any foreign participation in Mexican petroleum business.²⁵

The United States drafted a proposed basis on which foreign interests could participate in the Mexican oil industry. The American plan submitted to the Mexican Government in March, 1943, provided that: 1) the Mexican Government would retain all subsoil titles and rights; 2) the direction and control of PEMEX would remain in Mexican hands; 3) the United States would make available to Mexico the best possible commercial, technical and financial assistance in whatever amounts were necessary in each individual case; and 4) American companies would be protected from discriminating legislation by fixing in contracts with PEMEX their

²⁴George S. Messersmith to Under Secretary of State Welles, January 14, 1943, State Department Records, NA, RG59.

²⁵Memorandum by Division of American Republics Affairs (McGurk), January 20, 1943, State Department Records, NA, RG59.

obligations and rights. Such contracts would be adjudicated only in Mexican courts.²⁶

Although the Camacho Administration made no direct response to the American proposal, it appeared that it was being favorably considered by the Mexican Government. In May Minister of National Economy, F. Javier Gaxiola, modified his original position when he stated that any petroleum company legally operating in Mexico could employ foreign drillers and technicians after it had been established that the foreigners were not using such employment to conduct oil exploitation for their own benefit.²⁷

When the Mexican Government failed to enunciate its petroleum policy by November, Secretary Hull wrote to Ambassador Messersmith to stress the importance American officials attached to this proposed declaration. The Secretary said that the Department did not consider it appropriate to negotiate a formal agreement with Mexico, but hoped that Avila Camacho, after considering United States views, would issue a statement on the development of his country's petroleum resources which would permit foreign interests to enter Mexico on a contract basis after any change to domestic legislation required by the policy statement had been enacted. Hull reminded the Ambassador that the United States was rapidly depleting its petroleum reserves and would soon be required to import large quantities of oil to support its war effort. In Hull's opinion the American demand for petroleum together with Mexico's propinquity to the United States made it even more important that the Mexican Government

²⁶Foreign Relations of the United States, 1943, Cordell Hull to George S. Messersmith, March 12, 1943, Vol. 6, pp. 457-459.

²⁷United States Embassy in Mexico (Bursley), to State Department (Duggan), May 21, 1943, State Department Records, NA, RG59.

quickly adopt a policy which would permit its petroleum industry to expand and develop rapidly.²⁸

In presenting Secretary Hull's views to Foreign Minister Padilla, Messersmith said it was the opinion of his Government that without the introduction of foreign financial and technical assistance, PEMEX, even under the most favorable conditions, could not adequately develop Mexican oil resources for at least fifty years. Padilla replied that he and President Camacho agreed, but the Director of PEMEX felt the nationally-owned enterprise could be maintained and expanded without permitting foreign capital and technicians to play a major role. Padilla made it quite clear that Buenrostro would have to be convinced that Mexico's petroleum industry could not adequately develop on its own before any decision could be made which would allow foreign oil companies to provide assistance to PEMEX on a contractual basis.²⁹

Padilla and Messersmith again met in late December, 1943, to discuss Mexican petroleum policy. After carefully reviewing each of the four points suggested by the United States the previous March, the Foreign Minister stated that he felt they formed a satisfactory basis for a policy statement by his Government. He said that quite naturally when a decision had been reached it would take the form of a unilateral declaration by President Camacho, but he stressed that Mexico was very happy to exchange views with the United States before resolving this important question. Padilla reiterated his belief that as far as foreign capital was concerned America should play the major role in the

²⁸Foreign Relations of the United States, 1943, Cordell Hull to George S. Messersmith, November 12, 1943, Vol. 6, pp. 469-470.

²⁹Foreign Relations of the United States, 1943, George S. Messersmith to Cordell Hull, November 30, 1943, Vol. 6, pp. 470-472.

development of Mexico's oil industry, and he told Messersmith that in the near future he would have some "very good news."³⁰ In early January Messersmith went to Washington to discuss with President Roosevelt the allocation of material to Mexico for projects approved by the Mexican-American Commission for Economic Cooperation (See Chapter VI), confident that on his return he would be informed that a decision on major oil policy had been reached which was favorable to United States interests.

During Messersmith's conversations with Roosevelt the Mexican petroleum issue was raised, and the President requested the Ambassador to discuss with Secretary Ickes the possibility of building up a strategic oil reserve in Mexico for emergency defense use. Roosevelt considered that it would be beneficial for the United States to expend a small sum in assisting the Mexican Government to explore for new oil deposits. When a new and adequate supply had been located it would be completely set aside for military use in connection with the defense of the Hemisphere. The quantity of petroleum contained in the reserve deposit would be estimated, and the United States would pay an annual amount to Mexico until the fair value of the oil had been covered.³¹ Ickes was not at all interested in discussing such a narrow project. He said that he favored either a large United States loan to Mexico which would enable PEMEX to develop and expand the entire petroleum industry, or an arrangement whereby the American Government would participate on a large scale in Mexico's oil industry. Ickes had apparently reversed his position since the plan submitted by Edwin Pauley had been rejected, and he told

³⁰Foreign Relations of the United States, 1943, George S. Messersmith to Cordell Hull, December 20, 1943, Vol. 6, pp. 473-475.

³¹Foreign Relations of the United States, 1944, Memorandum, President Roosevelt to Secretary of State Hull, July 19, 1944, Vol. 7, pp. 1346-1347.

Messersmith that in his opinion domestic oil companies should be kept out of Mexico.³²

The good news promised by Padilla never came, and by May, 1944, the petroleum picture had become clouded with the idea that the United States was prepared to supply PEMEX with a large credit for exploration and exploitation of the country's oil resources. If this could be arranged there would be no need for foreign companies to play a major role in the industry's development and no need for the Mexican Government to make the important decision on future petroleum policy. After an investigation to determine the origin of the loan idea, Messersmith discovered that Secretary Ickes had told Mexican Ambassador Castillo Nájera that the United States was prepared to extend a very large credit to PEMEX which was to be repaid with petroleum and petroleum products. Castillo Nájera relayed the information to former President Lázaro Cárdenas who was at that time Minister of National Defense, and the latter informed Avila Camacho.³³

Ambassador Messersmith advised the State Department that Foreign Minister Padilla had informally inquired in early June, 1944, about a loan for widespread oil exploration and development. Messersmith was sure that Padilla and Camacho both realized that such a loan would not be granted, but General Cárdenas was pressing the issue and the President had to have an answer before further progress could be made on petroleum policy. The Ambassador had previously explained to Cárdenas that a large credit for oil exploration was not possible, and he suspected the latter was raising the loan idea to delay action on oil matters and to prevent

³²George S. Messersmith to Cordell Hull, May 22, 1944, State Department Records, NA, RG59.

³³Ibid.

the entrance of foreign petroleum companies, which he thoroughly opposed.³⁴

The State Department was in complete agreement with Ambassador Messersmith on the inadvisability of granting a large petroleum credit to the Mexican Government. Several Department officials felt that it was unlikely that PEMEX would operate more efficiently after receiving a loan from the United States than it did previously. Of even greater concern was the effect that such a loan would have on the future participation of private companies in the Mexican petroleum industry and the reaction that it would produce in other Latin American countries. Should the United States Government extend a substantial credit to Mexico for development of her oil industry, the remaining American Republics could not be blamed for drawing the conclusion that it would be beneficial for them to nationalize American-owned petroleum properties.

President Roosevelt had established an Executive Committee on Economic Foreign Policy in April, 1944, for the purpose of making recommendations in this field to the Executive and to the Secretary of State. The Committee consisted of representatives from the Departments of State, Treasury, Agriculture, Commerce, and Labor, the United States Tariff Commission and the Foreign Economic Administration. Authority was given to the Secretary of State to invite participation from other federal agencies when he considered it advisable to do so.³⁵ It was agreed that the Committee should meet in June, 1944, to discuss the issue of a loan to PEMEX, and Assistant Secretary of State Acheson decided it would be wise to suggest that Harold Ickes or the Deputy

³⁴George S. Messersmith to Cordell Hull, June 8, 1944, State Department Records, NA, RG59.

³⁵Cordell Hull to Harold L. Ickes, June 17, 1944, State Department Records, NA, RG59.

Petroleum Coordinator, Ralph Davies, attend the meeting with the hope that should the Committee reject the idea of a loan for Mexico it might deter Ickes from encouraging the Mexicans to press for a credit from the United States.

Deputy Coordinator Davies attended the Executive Committee session where it was unanimously agreed the Foreign Office should be told that the United States was not contemplating the extension of a large petroleum credit to any foreign Government. On June 27, 1944, Secretary Hull directed Ambassador Messersmith to inform the Foreign Ministry that the Roosevelt Administration was not considering a loan for petroleum development either to PEMEX or to the Mexican Government. Messersmith was ordered to continue his efforts to convince President Camacho that he should adopt a policy which would insure a role for private capital and technical assistance in the development of Mexican oil resources.³⁶

This decision by the Economic Foreign Policy Committee had no bearing whatsoever on the \$10 million loan already granted to Mexico for the construction of a high octane gasoline plant at Atzacapotzalco. The Export-Import Bank credit for the building of a refinery was considered by American officials to be a far different matter than a loan for petroleum exploration which by its very nature was a speculative undertaking.³⁷ In the summer of 1944 Ambassador Messersmith notified President Roosevelt that certain extremely nationalistic elements in Mexico led by General Cárdenas were making it extremely difficult for President Camacho to formulate the oil policy that Mexico's floundering economy

³⁶Cordell Hull to George S. Messersmith, June 27, 1944, State Department Records, NA, RG59.

³⁷Unpublished Memoirs of George S. Messersmith, Vol. 2, No. 17, University of Delaware.

badly needed. In Messersmith's judgment both the President and the Foreign Minister realized that their country's petroleum law had to be changed to permit the maximum exploitation of her oil resources through the participation of foreign interests on an equitable contract basis with PEMEX. The attitude of General Cárdenas, which the Ambassador evaluated as being "purely obstinate and altogether unreasonable," had thus far prevented President Camacho from taking any meaningful action with respect to the petroleum issue. Messersmith advised Roosevelt that the United States should continue to exercise patience since he felt that Avila Camacho's views would ultimately prevail.³⁸

Several days before Foreign Minister Padilla was scheduled to arrive in Washington for a series of talks with American officials on post-war collaboration, Ambassador Messersmith wrote to Secretary Hull to stress the importance of convincing Padilla, beyond a doubt, that the United States would not make a long-term loan to Mexico for petroleum exploration. Messersmith said that he had conveyed this impression to members of the Mexican Government on several occasions, but Cárdenas continued to raise the possibility of a Government-to-Government loan. The Ambassador hoped President Roosevelt and Secretary Hull would tell Padilla in a firm, but friendly manner, that there was no possibility the United States would extend such a credit.³⁹

Foreign Minister Padilla spent about a week in Washington, and on July 12, 1944, shortly before his return to Mexico, he called on Secretary Hull to brief him on the results of his visit. Padilla reported he

³⁸George S. Messersmith to President Roosevelt, June 29, 1944, Secretary's File, Box 14, Roosevelt Library.

³⁹Foreign Relations of the United States, 1944, George S. Messersmith to Cordell Hull, July 1, 1944, Vol. 7, pp. 1336-1338.

had talked with Interior Secretary Ickes who said that he was very much in favor of granting a large credit to Mexico for exploration of her petroleum reserves. Hull replied that to the best of his knowledge the United States Government was opposed to such a loan. He said that the authority for making the loan rested primarily with the Treasury Department, and to a lesser extent with the Reconstruction Finance Corporation and the Departments of Commerce and State. Hull told Padilla quite frankly that he did not know who had empowered Secretary Ickes to speak on this subject. The Foreign Minister informed Hull that President Roosevelt had encouraged him to seek a long-term petroleum loan from the American Government and had authorized him to discuss the matter further with Ickes. The Secretary of State was caught off guard by this apparent change in policy on the part of the President and could only insure Padilla that he would attempt to clarify the position of the United States and notify the Foreign Office when he had done so.⁴⁰

On his return to Mexico, Padilla met with Ambassador Messersmith to discuss his conversation with President Roosevelt. The Foreign Minister said that he was talking with the President about the possibility of private American companies participating in Mexico's oil industry when Roosevelt interrupted him and stated that private companies should not become involved. According to Padilla, the President said that petroleum development could best be achieved by means of a long-term Government loan at a low rate of interest. Roosevelt also spoke of his proposal for setting aside certain oil deposits for continental defense, and he

⁴⁰Foreign Relations of the United States, 1944, Memorandum of Conversation by Secretary of State, July 12, 1944, Vol. 7, pp. 1338-1339.

requested that Padilla examine both issues with Secretary Ickes.⁴¹

The Foreign Minister informed Messersmith that Ickes spoke at great length of the problems Mexico would experience if private companies were permitted to play a role in the development of the petroleum industry. Ickes said that a Government-to-Government loan could lead to rapid, trouble-free exploration and exploitation of Mexico's subsoil resources. Padilla stated that his country would consider such a loan only if it were long-term, at a low interest rate and with no United States interference in Mexican oil affairs. The Foreign Minister told Messersmith that if such a credit were offered, Mexico, due to her internal political situation, would have no choice other than to accept the American proposal.⁴²

The Ambassador was thoroughly confused after talking with Padilla since President Roosevelt had assured him during his visit to Washington in January that under no circumstances would a loan be made to PEMEX for widespread petroleum exploration. Messersmith immediately sent a long dispatch to Secretary Hull in which he emphasized how unwise, misguided and contrary to United States interests it would be to lend a large sum to the Mexican oil monopoly and thus, for the foreseeable future, exclude the participation of private interests in the petroleum industry.

About a week after Padilla had returned to Mexico, President Roosevelt sent a memorandum to Cordell Hull in which he criticized Ambassador Messersmith and some State Department officials for not differentiating between oil intended for civilian use and for military use. With regard

⁴¹George S. Messersmith to Cordell Hull, July 21, 1944, State Department Records, NA, RG59.

⁴²Ibid.

to Mexico, Roosevelt said that the production of petroleum for normal consumption would have to be accomplished by PEMEX and whatever private resources were required without financial or other assistance from the American Government. The President said that he had mentioned to Padilla the possibility of the United States providing the funds for the exploration and development of a strategic oil reserve in Mexico to be used only by military forces for continental defense. Roosevelt stated that the Foreign Minister was quite receptive to the latter proposal. The President indicated it was never his intention to convey to Padilla the idea that his Administration was prepared to grant a large loan for the expansion and maintenance of Mexico's entire petroleum industry.⁴³

The Mexican oil issue became more complicated on September 6 when Foreign Minister Padilla handed a memorandum to Ambassador Messersmith in which the Mexican Government indicated it was ready to begin negotiations leading to a Government-to-Government loan for oil exploration. Although not specifically stated in the memorandum, Padilla said that he was also prepared to enter into discussions concerning the strategic reserve to be set aside for defense purposes. Messersmith considered the petroleum problem so fundamentally important that he decided he would have to discuss the entire issue with President Roosevelt and Secretary Hull so as to be able to accurately articulate the United States position and prepare a reply to the Foreign Office memorandum.⁴⁴

Although the Ambassador spoke with Hull in early October, it was not until December 19, 1944, that he was able to meet with President

⁴³Foreign Relations of the United States, 1944, Memorandum, President Roosevelt to Secretary of State, July 19, 1944, Vol. 7, pp. 1346-1347.

⁴⁴Foreign Relations of the United States, 1944, George S. Messersmith to Cordell Hull, September 11, 1944, Vol. 7, pp. 1348-1351.

Roosevelt concerning the Mexican oil problem. Roosevelt said there had been a very definite misunderstanding in his conversation with Padilla if the Foreign Minister had concluded that the United States was willing to lend a large sum of money to PEMEX. He stated that he had mentioned an expenditure of about \$4 million for a special reserve for military use which Padilla seemed to favor. Finally, Roosevelt signed a brief note prepared by Messersmith which said that a large Government loan to Mexico for petroleum development would not be made, and he instructed the Ambassador to continue his efforts to gain permission for private interests to participate in the Mexican oil industry.⁴⁵

In formulating the Embassy's response to the Foreign Office memorandum of September 6, Secretary of State Stettinius directed Ambassador Messersmith on December 18, 1944, to include the following points: 1) the United States Government believed that any arrangement for the development of Mexico's petroleum industry should be between PEMEX and private foreign companies; 2) the Roosevelt Administration regretted its inability to provide a loan to the Mexican Government for oil exploration; and 3) the American Government was "deeply interested" in the development of a petroleum reserve for continental security and would be willing to supply the capital for that purpose.⁴⁶

Ambassador Messersmith informed President Roosevelt in early January, 1945, that President Camacho and Foreign Minister Padilla completely understood why the United States could not make a loan for commercial oil exploration, and that both men agreed to consider the American

⁴⁵Foreign Relations of the United States, 1944, Memorandum of Conversation by George S. Messersmith, December 19, 1944, Vol. 7, pp. 1356-1358.

⁴⁶Foreign Relations of the United States, 1944, Secretary of State to George S. Messersmith, December 28, 1944, Vol. 7, pp. 1358-1359.

proposal for setting aside a strategic oil reserve in Mexico and to continue discussions toward the entrance of private American companies into the Mexican petroleum industry on an equitable contract basis with PEMEX. However, Messersmith warned that 1945 would be a very difficult year in Mexico and that a great deal of progress on the oil issue should not be expected. A premature political campaign aimed at the 1946 presidential election had already begun, and President Camacho and his Foreign Minister were being openly attacked in the press by those Mexicans who opposed their policy of close collaboration with the United States.⁴⁷

The January 12, 1945 issue of Ultimas Noticias contained an interview with the Director of PEMEX in which Buenrostro stated that about seventy new oil wells would be drilled during the current year. Messersmith reported that although the Mexican public believed this, he felt sure there was not sufficient capital available for an undertaking of this magnitude. The Ambassador said that statements such as that made by Buenrostro rendered it even more difficult for President Camacho to enact a responsible petroleum policy, especially in a pre-election year when the oil issue was so volatile.⁴⁸

By the middle of March Messersmith notified the State Department that the number of verbal attacks against Avila Camacho and Padilla had substantially increased, and he concluded that the political situation in Mexico was such that meaningful discussions of future petroleum policy could not be continued. In late June, 1945, the Ambassador reported that

⁴⁷George S. Messersmith to President Roosevelt, January 8, 1945, State Department Records, NA, RG59.

⁴⁸George S. Messersmith to Division of Mexican Affairs (Carrigan), January 12, 1945, State Department Records, NA, RG59.

there was no hope of achieving any progress on the oil problem until after the Mexican presidential election in July of the following year, and that it would, in his opinion, be most unwise to press the issue before that time.⁴⁹

In response to rumors circulating in Mexico City to the effect that President Camacho was prepared to allow foreign companies to participate in the oil industry, the Secretariat of National Economy stated that in accordance with Article X of the Petroleum Law "contracts for exploitation and exploration may be signed with Mexican citizens or with companies formed exclusively by Mexicans....There is no plan to reform the Petroleum Law to make the modifications to Article X that would be necessary before foreign companies could obtain contracts for oil exploration and exploitation."⁵⁰

The State Department notified Messersmith that it concurred with his recommendation concerning the temporary suspension of discussions on Mexican oil policy. However, Secretary of State Byrnes advised the Ambassador that the American Government had altered its position with respect to the strategic oil reserve in Mexico, and that when a meaningful dialogue was resumed he should refrain from taking the initiative in discussing this subject. Messersmith was also cautioned that his negotiations with the Mexicans should not be limited only to the possibility of American companies playing a role in the development of the oil industry. Byrnes feared that United States holdings in other countries might be discriminated against if only American interests were permitted

⁴⁹George S. Messersmith to Division of Mexican Affairs (Carrigan), June 28, 1945, State Department Records, NA, RG59.

⁵⁰The New York Times, August 3, 1945.

to enter Mexico.⁵¹

Throughout the late 1940's and 1950's little substantive progress was made in the petroleum discussions between the United States and Mexico. With the cessation of hostilities the urgency that had motivated American efforts to influence Mexican policy no longer existed. A 1970 inquiry to the United States Embassy in Mexico City indicated that in the 1960's a few private American oil companies had worked under contract for PEMEX, but in the last few years these contracts have all been terminated by cash settlements.

In May, 1946, when he was leaving Mexico to become the American Ambassador to Argentina, George Messersmith stated that the greatest disappointment he experienced in Mexico was the inability of the Mexican Government to adopt a rational petroleum policy. In his memoirs Messersmith noted that during his tenure as Ambassador to Mexico (February 1942-May 1946) the Export-Import Bank made loans to the Mexican Government in the amount of about \$97 million for well-planned, constructive projects. It was his opinion that if the Mexican Government had taken the positive action to permit private American firms to participate with PEMEX in the development of Mexico's oil industry, the revenue from petroleum exports would very rapidly have made it unnecessary to carry out domestic programs with foreign financing.⁵²

⁵¹Foreign Relations of the United States, 1945, Secretary of State to George S. Messersmith, November 8, 1945, Vol. 9, pp. 1161-1162.

⁵²Unpublished Memoirs of George S. Messersmith, Vol. 2, No. 17, University of Delaware.

CHAPTER XIII

CONCLUSIONS

There can be little doubt that, with a few noted exceptions, Mexican-United States collaboration during World War II was superb and provided a magnificent example for the other American Republics and the rest of the world. With this statement the author does not intend to convey the impression that without the active cooperation of Mexico, America and her European allies would not have won the war. Nothing could be further from the truth; however, this should not detract from the fact that President Camacho and his country contributed to the war effort much more than even the most optimistic American statesman could have anticipated.

Prior to 1941 there was no reason to expect that Mexico's conduct during the global conflict would differ appreciably from what it had been during the First World War. In fact, had the Roosevelt Administration attempted to use force in 1938 and 1939 to settle the petroleum controversy it is quite probable that Mexico would have reverted to her 1917 role as an unfriendly neutral during the struggle against the Axis. Over the years relations between the two neighbors had experienced periods of extreme crisis, and many people in both countries believed that the oil expropriation would precipitate another era of bad feeling. In December, 1942, American Ambassador to Mexico George Messersmith wrote:

If there is one country among the American Republics which would have a real reason for not collaborating fully with us in the war, or at least understandable reasons, it is Mexico. And yet the fact remains that Mexico, the only country from which we have taken territory and against

whom we have declared war, has declared war on the Axis, is our ally, and is loyally trying to do what she can.¹

Throughout the presidency of Lázaro Cárdenas there was little indication that Mexico was prepared to support the United States should the European war involve the American continent. Soon after the inauguration of Avila Camacho, new attempts were made by both Governments to solve the many problems which had marred their relationship. These efforts culminated in the signing of the comprehensive agreement of November, 1941, which settled most of the issues pending between the two countries and made possible the wartime collaboration which ultimately took place.

The idea of cooperating closely with the United States was foreign to a great many Mexicans who had never felt any antagonism towards the Germans, the Italians or the Japanese, but who had been imbued since childhood with the idea that a certain animosity towards their North American neighbor was a healthy experience for the normal Mexican. To pinpoint the exact moment when the average Mexican began to feel that his country must join with the United States in the defeat of the Axis is as difficult as it is to fix the instant when the outgoing tide has run clear and begins to come in again. However, by the fall of 1942, after German submarine activity had caused President Camacho to declare war on the Axis, most Mexicans were willing to support their President and his policy of close alignment with the United States.

Why did Mexico and the United States finally decide in 1941 that the time had come to settle their differences and embark on a program of

¹George S. Messersmith to Vice-Admiral Alfred W. Johnson, December 27, 1942, Messersmith Papers, Box III, Correspondence Folder C, University of Delaware.

military, political and economic collaboration? The answer to this question is relatively simple. The leaders of both countries felt, without question, that each nation had a great deal to gain by following such a course. An American newspaper editorial in 1942 declared: "With practically all of her foreign business gone except that with her big neighbor to the north and with that big neighbor in need of many of the things Mexico can supply, the situation is one that produces a spirit of cooperation based on practical grounds to which idealistic grounds may well be a complement."²

In each specific area where collaboration took place it was mutually beneficial. President Camacho allowed Mexican laborers to go to the United States because American farmers and railroads were experiencing manpower shortages and because Mexico was suffering through a period of high unemployment. The poor material condition of the Mexican railroads and the United States need for strategic materials which had to be transported by these railroads prompted the Roosevelt Administration to dispatch the Railway Mission to Mexico. The strategic minerals purchase agreements provided American defense industries with raw materials and the Mexican Treasury with badly needed foreign exchange. Each cooperative effort can be explained in this manner.

James W. Gerard, United States Ambassador to Germany prior to the outbreak of hostilities in Europe, in testimony before the Senate Foreign Relations Committee on January 30, 1941, predicted that should Britain fall, Germany would seize Mexico.³ President Camacho knew that if either Germany or Japan attempted an invasion of his country American

²The New York Times, editorial by Edwin L. James, April 26, 1942.

³The New York Times, January 31, 1941.

troops would be rushed into Mexico to defend the Hemisphere. The movement of foreign troops across the border would infringe upon Mexican sovereignty and independence, but Mexico could not and would not want to prevent American armed forces from repelling the invasion. The Mexican President, who really gave no thought to cooperating with the Axis, decided it would be in Mexico's interest to begin a program of military collaboration with the United States as soon as possible, and before any foreign power attempted to seize his country. Thus, if a real crisis did occur, the average Mexican would view the entrance of American troops as a demonstration of military assistance from one ally to another rather than the occupation of a neutral neighbor.⁴ Mexico therefore authorized American use of designated air and naval facilities, but it was not until after German submarines had sunk two Mexican tankers in the spring of 1942 that her leaders seriously considered committing a military force to engage the enemy.

It is interesting to consider the question of whether such close collaboration would have taken place without the impetus supplied by World War II. Although the opposing position can be defended, it is felt that a significant amount of cooperation, although probably not as much as actually occurred, would have characterized United States-Mexican relations in the early 1940's even had a global conflict not been waged. It is important to note that in early 1941 Government officials on both sides were sincerely interested in ameliorating the often stormy relationship that had existed between their countries at least since 1910. This is an important consideration since the international situation in 1917

⁴Harry I. Stegmaier, Jr., "From Confrontation to Cooperation: The United States and Mexico 1938-1945," an unpublished dissertation presented at the University of Michigan in 1970, pp. 195-196.

and 1918, although equally as dangerous to the security of the Hemisphere, did not draw the two neighbors together because the Mexican Government was not interested in collaboration with the United States.

It was most fortunate that the men directing the international affairs of Mexico and the United States during the war years were dedicated to initiating and maintaining a special friendship between their respective countries. Without the fortuitous circumstances that provided such determined statesmen devoted to a policy of reconciliation and cooperation, such close collaboration would not have taken place.

Manuel Avila Camacho succeeded Lázaro Cárdenas as President of Mexico in December, 1940, and from the moment he took the oath of office he considered his primary international goal was to lay to rest the many problems that had plagued the relationship between his country and the United States. He was primarily concerned with settling the petroleum and agrarian claims issues. His initiatives produced immediate results, and by the spring of 1942, Dr. Diogenes Escalante, Chairman of the Governing Board of the Pan American Union, in welcoming Mexican Foreign Minister Padilla to the organization's headquarters, stated that as a result of the efforts of President Camacho, relations between Mexico and the United States were more cordial than at any time in history.⁵

Ambassador Messersmith wrote to Secretary Hull in 1942 about several conversations he had had with Camacho. "I want even more particularly to tell you," Messersmith wrote, "that the President here is for us, and for Mexico and for the Americas, a Rock of Gibraltar. He is very sound, serene, and considered. He has made up his mind some time since that the future of Mexico lies in close cooperation with us in every field. He is

⁵Bulletin of the Pan American Union, Vol. 76, No. 6 (June, 1942), p. 314.

firmly convinced that the victory of the Axis would mean the loss of everything to Mexico."⁶

Over the years Messersmith's opinion of President Camacho did not change. Almost two years after his letter to Hull he relayed his impression of the Mexican Chief Executive to President Roosevelt. The Ambassador wrote:

There is an old saying that comparisons are invidious, but I do believe, from the knowledge which I have, that there is no Chief of State in the other American Republics who is a sounder and firmer and more convinced friend of our country than President Avila Camacho....President Avila Camacho has often said to me that one of the principal things he wants to accomplish during his term of office is to consolidate friendly relationships with the United States and collaborate with us in the political and economic field and to do it in such a way that any successor of his will be practically certain to follow in that path.⁷

Camacho chose as his Minister for Foreign Affairs, Ezequiel Padilla, whom Messersmith evaluated as "the most enlightened statesman in the chancery of any Latin American country at the time."⁸ One American author stated that Padilla did more than any other individual to gain acceptance in Mexico and throughout Latin America for the policy of collaboration with the United States. He wrote that it was impossible "to exaggerate this man's contribution to the security of the Western Hemisphere and, in particular, to that of the United States."⁹

⁶George S. Messersmith to Cordell Hull, June 25, 1942, Hull Papers, Container 50, Library of Congress.

⁷George S. Messersmith to President Roosevelt, June 29, 1944, Secretary's File, Box 14, Roosevelt Library.

⁸Unpublished Memoirs of George S. Messersmith, Vol. 2, No. 17, University of Delaware.

⁹Daniel James, Mexico and the Americas (New York: Frederick A. Praeger, 1963), p. 351.

Padilla was particularly concerned with the principle of hemispheric solidarity. His remarks delivered at the Third Meeting of Consultation of American Foreign Ministers held in Rio de Janeiro in January, 1942, shocked many of his Latin American neighbors. "Japan's attack upon the United States," he stated, "was not only an attack upon one American nation, it was an attack by the totalitarian powers upon the democracies of the world. The men who have fallen gloriously on Wake Island and in the Philippines have not fallen to defend the honor of the United States alone; they have fallen also to defend human liberty and the free destiny of the Americas."¹⁰ The audience was stunned. Never before had a Mexican official so eloquently praised American fighting men. Many things had changed since the United States-Mexican War and the American occupation of Veracruz.

A few days later Padilla again rose to speak before the Conference. "We have come here not to argue with words of peace but to speak in terms of continental security....This is no time to defend national wealth, it is a time for sacrifice. It would be ignoble to pretend that others should defend the heritage of justice, the unity of America that we so loudly advocate, while we shelter ourselves in selfishness and false security. We are all of us in the same boat. Time will save none of us alone. All of us on this continent shall be crushed together or all of us saved beneath the banner of American unity."¹¹

Padilla's remarks not only clearly indicated the path the Mexican Government intended to follow, but served to influence the policy decisions of several other Latin American countries during the critical

¹⁰Quoted in, James, Mexico and the Americas, p. 354.

¹¹Quoted in, Ibid., p. 355.

years of the war. In July, 1944, Secretary of State Hull gave a dinner in Honor of the Mexican Foreign Minister while the latter was in Washington for discussions with United States officials. In speaking of his guest Hull stated: "I am delighted to say that the great country from which you come has met every hope and every expectation of a good neighbor in peace and in war. You, sir, have been one of the great leaders....As we moved into this crisis your country was on the alert at the outset....You awakened not only your country but Central America and the countries to the South by your speech which rang out at Rio de Janeiro."¹²

Padilla ardently supported the policy of close collaboration with the United States until his resignation in July, 1945. Ostensibly he left the Foreign Ministry to free himself to campaign for the presidency, but actually he resigned because of the harsh criticism he received from the Mexican public for cooperating with Secretary of State Stettinius in his successful attempt to have Argentina invited to attend the United Nations Conference in San Francisco. Public denunciation of his assistance in the Argentine affair plus a heavy attack from the Left for allegedly subserviating his Ministry to the State Department convinced both Padilla and Avila Camacho that the former's resignation was required if the President's policies were to receive popular support.

United States leaders in the 1930's and early 1940's also made special efforts to promote Inter-American solidarity, and these efforts undoubtedly contributed to the close wartime relations between their country and Mexico. At Inter-American Conferences in Montevideo in 1933 and Buenos Aires in 1936 President Roosevelt renounced what previous

¹²Statement of Cordell Hull at dinner in honor of Ezequiel Padilla, July 8, 1944, Hull Papers, Container 96, Library of Congress.

administrations had considered their right to intervene in the affairs of other American countries, and he adopted a policy which came to be known as the Good Neighbor Policy. When the Roosevelt Government refused to use force in settling the petroleum controversy in 1938, Mexico and the republics of Central and South America became convinced that the President was seriously attempting to change United States policy throughout the Hemisphere.

Shortly after Mexico had declared war on the Axis countries, Foreign Minister Padilla, in a note to Ambassador Messersmith, wrote: "To the factors which have contributed to a closer understanding between our countries...it is only just to add and to give special mention to the attitude of President Roosevelt who, in advocating and putting into practice the Good Neighbor Policy, has achieved the unification of the Republics of our Hemisphere...."¹³ Avila Camacho was perhaps Roosevelt's greatest admirer and in his conversations with Messersmith he continually referred to the 1943 Monterrey meeting with his American counterpart. Shortly after Roosevelt's death on April 12, 1945, the Mexican President expressed to President Truman his belief that the United States and the world "had lost the greatest statesman it had ever produced."¹⁴

Within the walls of the State Department there were many distinguished officials who worked very hard to improve United States relations with Latin America and promote a feeling of harmony within the Hemisphere. Cordell Hull led the American contingent to the 1933 Montevideo Conference. At such meetings the head of the United States delegation normally

¹³Ezequiel Padilla to George S. Messersmith, June 9, 1942, Messersmith Papers, Box III, Correspondence Folder B, University of Delaware.

¹⁴George S. Messersmith to Secretary of State, April 21, 1945, Messersmith Papers, Box III, Correspondence Folder C, University of Delaware.

sat back and waited for the Latin Americans to pay courtesy calls, but Hull, shortly after his arrival in the Uruguayan capital, personally visited the senior representative from each of the American Republics in attendance. This gesture, however small, won for Hull the respect and admiration of his Latin colleagues. Sumner Welles, possessor of a keen intellect and sound judgment, was considered by many to be the real architect of the Good Neighbor Policy. Others like Laurence Duggan, Philip Bonsal and Herbert Bursley also contributed to the successful collaboration that took place between Mexico and the United States during the war years.

George Strausser Messersmith was perhaps the best American friend that Mexico ever had, and he was surely, among United States officials, the greatest supporter of unlimited cooperation between the two countries during World War II. During his more than four years in Mexico he developed a deep respect and admiration for President Camacho and Foreign Minister Padilla, and he dedicated his every effort to press for the adoption of policies by both Governments that would lead to continually increasing degrees of collaboration between their countries.

Messersmith's contribution to the "era of good feeling" between the United States and Mexico in the early and mid-1940's has been overlooked by many historians, but in 1944 one writer convincingly stated:

Before the war, the Embassy and affiliated units employed about 40 people, including the Ambassador. Now, including the economic unit, the Embassy employs 850. Virtually all of them are professionals. George Messersmith is not down here because he contributed 25 or 50 thousand dollars to someone's campaign fund, but because he has grown grey and broken his health representing the United States in Latin America.

One of the first things he did after coming down here was to insist that everyone connected with the Embassy speak Spanish....He knows and respects the Latin Americans and has become extraordinarily well-

liked in his short time there because of his frankness and because he doesn't try to kid anyone. It is solely through his good offices and those of some of his assistants that if in the future Texas and California planters need Mexican labor they will get it. Texas will get Mexican farm hands not because of Governor Stevenson's good-will trip but because of Mexico's liking and respect for George Messersmith and his people of the Embassy. Let there be no doubt about it.¹⁵

President Roosevelt did not underestimate the contribution made by his Ambassador to the success of American policy in Mexico. In late 1943 he wrote to Messersmith: "I discern between the lines of the reports that reach me that to you is due considerable credit for the improvement in relations between Mexico and the United States during the last two years. Keep up the good work!"¹⁶

Gordon Connell-Smith in his book on the Inter-American system has argued that the Good Neighbor Policy was a casualty of World War II. Although this is not a completely accurate statement, it does contain a certain amount of fact as it pertains to Mexico. By the end of the war President Roosevelt had died, and Cordell Hull, Sumner Welles, and Laurence Duggan had left the State Department. Ezequiel Padilla resigned as Minister of Foreign Affairs effective July 12, 1945, and was replaced by former Ambassador to the United States Castillo Nájera who, while not anti-American, was more closely allied with Lázaro Cárdenas than President Camacho. George Messersmith departed from Mexico in May, 1946, to become Ambassador to Argentina, and in December of that year Miguel Alemán became President of Mexico. Thus, during the period from late 1944 to late 1946 those officials who were primarily responsible for the

¹⁵Harry Sylvester, "Mexico and the War," Commonweal, Vol. 40 (June 30, 1944), pp. 246-250.

¹⁶President Roosevelt to George S. Messersmith, October 15, 1943, Secretary's File, Box 14, Roosevelt Library.

unsurpassed wartime cooperation between Mexico and the United States vacated their positions and were no longer able to influence to any degree the relations between their countries.

It was normal to expect that as the great global struggle drew to a close many collaborative programs which owed their existence to the war would be abandoned. This occurred, but a deterioration in the overall relationship between the two countries was allowed to take place by leaders, primarily in the United States, but also in Mexico, who did not place as great an emphasis on close cooperation as had their predecessors. Mexico, as well as the other Latin American countries, was annoyed when her views were neither sought nor heeded by the United States and other Big Powers at the United Nations Conference in San Francisco in the spring of 1945.

Although the commitment of the 201 Air Squadron had a less than negligible effect on the outcome of the war, most Mexicans were extremely proud that their country was one of the two Latin American Republics to actually engage the enemy during the war. When the unit returned to the United States, plans were made for a grand celebration in Laredo, Texas where the Mexican heroes would cross the border to their own country. Several high-ranking Mexican Government officials met the unit as it arrived in Laredo. William Prescott Allen, publisher of The Laredo Times, proposed that President Truman place a three-minute telephone call to Laredo to congratulate the Mexican Squadron Commander on the performance of his unit. Truman replied that he was too busy to make such a call, and American officials refused to provide a train to carry the returning squadron from the west coast of the United States to Mexico City. The train took the fliers only as far as Laredo where they were forced to carry their equipment across the border and reboard a Mexican train for

the remainder of their journey. In all probability this would not have occurred if President Roosevelt had lived, nor is it likely that in 1950 Avila Camacho and Roosevelt would have allowed the Reciprocal Trade Agreement to be terminated had they been in office.

This does not mean that relations between the United States and Mexico were permitted to deteriorate to their pre-war level. On the contrary, the two countries have over the years cooperated in many areas, but from the early 1950's to the present, Mexico has been noted for her independent foreign policy. Despite pressure from the United States, Mexico was the only Latin American country that refused to sever diplomatic relations with Cuba in 1964.

Regardless of post-war events, Mexico and the United States collaborated magnificently during the years of conflict. In July, 1944, the State Department advised President Roosevelt: "Aside from the efforts put forth by this Government, the success of our foreign policy in support of the war effort among the American Republics has been largely due to the support of Mexico and Brazil."¹⁷ One American author described Mexico's assistance in this way:

Few North Americans realize the total contribution which Mexico made during World War II. Its role was usually undramatic and unpublicized, but on important economic, military, and political fronts, Mexico's cooperation was superb and its contributions were substantial.¹⁸

It can truly be said that an "era of good feeling" existed between

¹⁷State Department Memorandum to President Roosevelt, July 21, 1944, State Department Records, NA, RG59.

¹⁸Howard F. Cline, The United States and Mexico (Cambridge: Harvard University Press, 1953), p. 271.

Mexico and the United States during World War II and exerted a tremendous influence on the conduct of foreign policy by these two neighbors during the period from 1941 to 1945.

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